

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>City of Three Rivers</u>	County Branch
Audit Date 9/30/04	Opinion Date 09/03/04	Date Accountant Report Submitted To State: 1/31/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address 750 Trade Centre Way, Suite 300	City Portage	State MI	ZIP 49002
Accountant Signature  			

**City of Three Rivers,  
Michigan**

**St. Joseph County, Michigan**

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**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2004**

**CITY OF THREE RIVERS  
FINANCE DEPARTMENT**

# City of Three Rivers, Michigan

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# City of Three Rivers, Michigan

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## **Introductory Section**

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To the Citizens of the City of Three Rivers,  
The Honorable Mayor and City Commissioners

The Comprehensive Annual Financial Report of the City of Three Rivers for the fiscal year ended June 30, 2004, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City Administration. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City of Three Rivers. All disclosures necessary to enable a reader to gain an understanding of the City of Three Rivers financial activities have been included.

In 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 (GASB No. 34) which significantly changed the contents and format of municipal financial statements. GASB No. 34 was developed to promote comparability between various units of government and to demonstrate the operational, as well as the fiscal, accountability of each municipality. Prior to GASB 34, the municipalities reported only on the fund basis. This demonstrated to the financial statement user that the municipality met its responsibility to the public and all legal requirements in the short term, usually a year or a budget cycle. With the adoption of GASB 34, a municipality must also include full accrual government-wide financial statements. The purpose of these statements is to demonstrate the operational accountability of the municipality. Operational accountability refers to the government's responsibility to assure that it is currently meeting and can continue to meet operational objectives into the foreseeable future. The accompanying report is the first report issued by the City of Three Rivers in compliance with the new format requirements of GASB 34.

A Management's Discussion and Analysis report, as well as entity-wide, full accrual financial statements have been added to the front of the financial statements section. The fund statements have been altered to provide reporting under the Major/Non-major Fund concept. Reconciliation between the two presentations is included and the note disclosures have been expanded to provide appropriate information on both the entity-wide and fund financial statements.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the City of Three Rivers organizational chart, and a list of principal officials. The financial section includes the financial statements and the basic financial statements and schedules, as well as the auditor's report on the financial statements and schedules. The Statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

This reporting includes all funds and account groups of the City of Three Rivers. The City of Three Rivers provides a full range of traditional government services. The City of Three Rivers also provides for construction, repair, and maintenance of streets and storm drainage systems, provides parks and recreational and sports activities for its citizens.

The City is responsible for the administration and enforcement of housing and building codes, as well as economic and community development activities. In accordance with the State of Michigan's statutes, the City Treasurer is responsible for the collection of all property taxes for the City and overlapping governmental jurisdictions, including St. Joseph County, Glen Oaks Community College, Three Rivers Intermediate School District, and the Three Rivers Public Schools.

In addition to general government activities, the City Commission exercises, or has the ability to exercise, oversight of the Downtown Development Authority, the Industrial Development Authority, the Brownfield Redevelopment Authority and the Three Rivers Public Library. These organizations are included in the component unit's columns in the Basic Financial Statements.

### **City Location and Character**

The City of Three Rivers encompasses an area of about 3.8 square miles in west central St. Joseph County, which is situated in the south central portion of Michigan's Lower Peninsula, bordering the State of Indiana. The City is approximately 30 miles south of Kalamazoo, 90 miles southwest of Lansing, the state capital, and 150 miles west of Detroit. The City of Sturgis, also located in St. Joseph County, lies about 15 miles to the southeast. Located where the St. Joseph, Rocky, and Portage Rivers converge, the City is a balanced mix of residential, commercial, and industrial properties in an attractive area of rolling hills and many lakes, affording numerous opportunities for a variety of year-round recreational activities. Three major highways (U. S. 131 and Michigan Highways 60 and 86) pass through Three Rivers, and I-94 lies only 20 miles north. The area is served by Conrail, various motor freight carriers, Three Rivers Airport (private flights) and Kalamazoo County Airport (freight and commercial service).

The City was founded in the early 1830's and acquired the name of Three Rivers because of the confluence of the St. Joseph, Portage and Rocky Rivers. The City's tax base is diverse with residential, commercial, industrial and utility valuations accounting for approximately 30.47%, 29.34%, 38.79% and 1.4%, respectively, of its Total Taxable Value for the fiscal year ending June 30, 2004.

The 2000 Population of the City of Three Rivers was 7,328, a decrease of 1.14% below the 1990 population of 7,413. As small communities compete for residents, City administration must provide reasons for people to want to live in and visit Three Rivers. The three rivers that converge in the Three Rivers downtown area need to be viewed by our citizens as assets to be protected and preserved while enjoying their benefits.



Glen Oaks Community College at Centreville is located 7 miles southeast of the area, and five 2-year and 4-year colleges and universities are available in Kalamazoo. Three Rivers Area Hospital (65 beds), Three Rivers Manor at River Forest (101 beds) and Heartland Heath Care Center (100 beds) provide the area with local medical care and extended care, respectively, while Kalamazoo's two full service hospitals and nearly a hundred specialized agencies provide many area residents with every aspect of quality medical care.

The City of Three Rivers was incorporated in 1917 as a "Home Rule City" pursuant to the provisions of Act 279, Public Acts of Michigan, 1909, as amended. In accordance with its charter, the City is governed by a Mayor and six-member City Commission who are elected on a non-partisan basis for two-year terms. The City Commission appoints a City Manager who serves at its pleasure and is the chief administrative officer of the City.

## **Economic Outlook**

The City of Three Rivers is situated in southwestern Michigan between the two major markets of Detroit and Chicago, Illinois. Two lesser markets located to the north and south, respectively, are Kalamazoo and South Bend, Indiana that are connected by U.S. 131, a component of Michigan's commercial highway network. Three Rivers is located in St. Joseph County, one of the fastest growing communities in southern Lower Michigan.

The Three Rivers area draws from a three county labor force of more than 160,000 workers which provides a skilled labor pool for new industries. The diverse local economy includes automotive, machine tool, metal fabrication, plastics and paper companies. Given the diversity of the industrial base, the Three Rivers area continues to enjoy an unemployment rate below both the State and National averages and that rate is expected to remain below those averages in the future.

Major employers include American Axle Manufacturing, makers of automotive drive shafts and other parts for the automobile industry, maintains a current employment level of 855 people. Meijer, Inc., a major retailer has 181 full-time and 242 part-time employees. Johnson Corporation (143) and Armstrong Machine Works (320) are makers of rotary steam joints and traps used by the paper industry. Eaton Corporation (300) manufactures mirror actuators, while Lasco Industries (200) and Crocker Limited (140) are makers of fiberglass and plastic products. Weyerhaeuser Company (135) manufactures corrugated boxes and cartons.

The Three Rivers Area Enterprise Park is located at the intersection of M-60 and U.S. 131. North American Products, KDF Fluid Treatment Co., and Tamara Tool have located in the City's industrial park. Leads on prospective tenants for the park are continually being pursued. The success of the Three Rivers Area Enterprise Park is the result of a joint community effort. While the City continues to be actively involved in economic development initiatives, partners in the Enterprise Park development included the Three Rivers Area Chamber of Commerce, the Three Rivers Industrial Development Authority and a local government coalition consisting of the Townships of Fabius, Lockport as well as Park and the City of Three Rivers. Additional funding came from private and public sources. Enterprise Park is seen as a community asset and has strong support from local business and area residents.

## **Major Initiatives**

The City of Three Rivers continually reviews and modifies their economic development and community enhancement goals. Small communities are involved in competitions for individuals as surely as they compete for corporate investment. In this way, community amenities and quality features are no longer frills – they are essential to a community's ability to market itself successfully. Three Rivers is a unique community with many assets (a new High School, natural water features, a historic downtown etc.). We diligently work toward leveraging our assets, funding sources and resources to tackle large projects and improve our surroundings. The City participates with the St. Joseph County Economic Development Corporation (SJC EDC) as well as the South-central Michigan Planning Council (SMPC). On July 9, 2002 the City Commission reviewed and concurred with the SMPC Comprehensive Economic Development Strategy (CEDS). The SJC EDC is currently working on updating their Economic Development Strategy. The City's Mayor sits on the SMPC Board and the City Manager sits on the SJC EDC Board. Collaboration is the foundation of our organization. Our Community Council slogan is "Together We're Better". This premise permeates through our community allowing us to be successful! The following information summarizes our Community Development Strategy.

Three Rivers is an older community and as such we have an older housing stock. In an effort to provide affordable and livable housing and improve our overall quality of life we are attempting to improve our existing housing stock; both owner occupied and rental units. Our infrastructure is also aging and is in need of upgrades or repair. The City has 45 miles of road surface to maintain within the City limits. Since asphalt has an approximate 15-year life span, we need to improve or replace three miles of streets per year to keep ahead of the deterioration. On August 6, 2003 the citizens of Three Rivers approved a 15-year millage levy to be utilized for street and sidewalk replacements and upgrades. A streets and sidewalk committee has been established to assist in assessing the areas around the city that need immediate attention. The committee consists of representatives of each district and a representative of city administration.

## **Short and Long-Term Objectives**

We have instituted and will continue to develop housing programs to increase the value and integrity of our housing stock and provide safe affordable housing, thus improving our neighborhoods and quality of life. The City was awarded a grant with H.O.M.E. funds in the amount of \$252,000 from the Michigan State Housing Development Authority under an Acquisition, Development, and Rehabilitation (ADR) Program. The City has acquired four residential properties for the homebuyer activity portion of this grant. Contractors completely renovated two homes at 508 Maple Street and 304 East Bennett, and contractors constructed two new homes at 717 South Lincoln and 611 Swartz Street. The properties are now for sale to eligible low to moderate income level families. Qualifying families may receive additional assistance from MSHDA to cover the purchase price of the property. Upon sale, the City will be reimbursed for all of the expenses incurred for the initial purchase price of the property and the construction costs incurred while improving the property. This has been a great opportunity for the City to be involved in the improvement of our local housing stock and to assist qualifying families with affordable housing. There are several interested parties that are attempting to secure funding for the purchase of these properties and the City hopes to have all properties sold by the end of the next fiscal year. The City has just completed a Rental Rehabilitation Program (RRP) that specifically targeted the downtown area with additional incentives. The St. Joseph County Economic Development Corporation along with the County Housing Task Force recently completed a Housing Assessment and Strategy Report for the County. Rental

Rehabilitation was one of the suggestions made for the City of Three Rivers. The City of Three Rivers has been part of the housing Task Force for some time and understands that improving our housing stock is an important aspect of our viability.

- The City currently has an active Brownfield Redevelopment Authority (BRA) Board which will continue to pursue redevelopment of the City's abandoned and under-utilized Brownfield areas. The BRA currently oversees a \$200,000 Environmental Protection Agency (EPA) Brownfield Redevelopment Grant for the City. The Brownfield Redevelopment Authority has established a Tax Increment Financing District and has established a Revolving Loan Fund with the taxes recaptured from those properties that have a redevelopment plan approved by the City Commission.
- The City of Three Rivers is working on an Airport Expansion and Industrial Park project which will create over 100 new jobs, with an average wage rate of \$15.00 per hour, within the next five years. The project provides new infrastructure (water sewer, roadway) and brings additional property into the City limits. The estimated total project cost is \$3,145,850. The City has issued bonds in the amount of \$400,000 for this project along with \$335,500 contributions from various funds. The City has secured CDBG grants in the amount of \$1,105,350 and a grant for infrastructure in the amount of \$1,080,000 from the Economic Development Administration. The Michigan Bureau of Aeronautics provided \$229,915 for reimbursement against the land acquisition cost of \$1,355,330 for the 210 acres adjacent to the existing airport property to be used for the airport industrial park. The City has completed the Act 425 land transfer agreement negotiations with Lockport Township to transfer the entire airport property into the City. Construction is underway and the infrastructure is expected to be completed in late-fall of 2004.
- The City has secured a CDBG grant in the amount of \$500,000 for the Downtown East Lot Improvement project. This project will provide additional parking to the east of the historic downtown and improve the access to local businesses located in the surrounding area. The existing road will be relocated closer to the river and the underground utilities, both private and public, will be upgraded. The total project costs are estimated at \$1,803,000. The City has issued bonds in the amount of \$630,000 and various funds have made contributions to cover the costs of this project. The design phase has been completed and construction is now underway. This project is expected to be completed by summer of 2005. The immediate benefit will be the aesthetic improvement and livability of the area. There is also a long-range effect on the surrounding neighborhoods where improvements take place. A domino effect happens when people begin taking pride in their homes and their neighborhoods. Others in the neighborhood feel and see the changes and follow suit. The parking lot project along with our other improvement programs (Rental and Housing rehabilitation, Brownfield Redevelopment, and Obsolete Property Rehabilitation, etc.) not only leverages individual investment but also has long-range implications to our entire community. The overall changes the project will provide include aesthetics, lighting, and parking. This will have a huge effect on perception as it relates to the ease of shopping downtown, safety concerns, and overall community pride. The positive effects of this project will permeate throughout the community and have a profound and far reaching effect on all ages, races, and genders. Downtown is everyone's business and its success will benefit all.
- The City has secured a \$375,000 small urban grant, has issued bonds for approximately \$1,000,000 and has contributed another \$250,000 of reserves for the reconstruction

of Portage Avenue. This is a project that is administered by the Michigan Department of Transportation of which the City is providing a substantial local match as mentioned above. This project includes the replacement of sanitary sewer and water mains, private utilities and the complete reconstruction of the roadway and necessary sidewalk replacement. Construction will begin in July, 2004 and is expected to be completed in late-fall of 2004.

- The City has secured a \$375,000 Category F Economic Connector grant and will issue bonds in the amount of \$2,310,000 for the reconstruction of Broadway Street. This is a major street that is in desperate need of repair. The reconstruction area will extend between U.S. 131 and 12<sup>th</sup> Street and will consist of upgrading the underground utilities and reconstructing the roadway. The bonds will be sold in FY 2005 and the debt service requirements will be paid for out of the street and sidewalk millage levy. Construction will begin in July, 2004 and is expected to be completed by December, 2004.
- The City of Three Rivers and American Axle & Manufacturing Company (AAM) have secured a \$562,000 CDBG grant for infrastructure improvements to be made in conjunction with their newest expansion project. The City will provide a 10% local match of \$56,200 and the private investment is expected to be \$28,000,000. AAM intends to expand its facilities by 50,000 sq. ft., add a truck dock on the east side and add multiple truck docks on the west side of the building. The grant portion of the project is expected to directly benefit AAM by providing funding for the relocation of a municipal water main, a fire loop upgrade, a pump station access road, and road improvements. The grant is expected to create 60 permanent jobs that will pay at least \$13.50 per hour. Construction is now underway and the project is expected to be completed in the fall of 2004.
- The City is constantly trying to assist developers with the creation of new owner occupied homes and has partnered with Welton Development of Three Rivers to build a new subdivision called "The Meadows" located on North Main Street. The City issued special assessment bonds in the amount of \$570,000 to defray a portion of the infrastructure costs relating to this project. The City also will be adding a new lift station to provide service to this development and to be ready to service the surrounding area as it develops. The development is located on a 17-acre parcel and will have 36 condominium units in Phase 1 and have an area near the entrance designated for commercial development as well. The total investment for this subdivision has been estimated at \$15,000,000.
- The City of Three Rivers has sold a 32-acre parcel to Welton Development to begin another subdivision located off of Portage Avenue. "Meadowbrook Farms" will consist of 20 single family dwellings in Phase 1. The discussions are in the early stages and the City intends to be an active participant and assist in any way possible to create more quality housing for our community.

## **Financial Information**

The management of the City of Three Rivers is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse and to assure that adequate accounting data are compiled to allow for the preparation of financial reports in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

## **Budgetary Controls**

The Three Rivers City Commission adopts an annual budget in accordance with the State of Michigan Uniform Budgeting Act, P.A. 621 of 1978. The City's fiscal year is July through June. The annual budget for the next fiscal year is adopted on or before the second regular meeting in June.

Budgetary controls include the fact that expenditures cannot exceed revenue for the year plus beginning fund balance. An encumbrance system is in place to ensure that this control is not violated. In addition, the City Commission must approve all budget amendments made throughout the fiscal year.

## **Risk Management**

The City of Three Rivers is a member of the Municipal Liability & Property Pool, which is sponsored by the Michigan Municipal League. It is operated according to the policies adopted by the Pool Board of Directors, and in accordance with Michigan Public Acts 138 (1982) and 36 (1988). The pool provides risk management, claims administration, legal defense and reinsurance services for its members.

As a member of the Municipal Liability and Property Pool, the City of Three Rivers has liability coverage of up to \$10,000,000 per occurrence. We are actively involved in risk control through supervisory and employee training, facilities inspections and utilization of the Michigan Municipal Leagues' Risk Control Staff.

## **Independent Audit**

An annual audit of the accounting and financial records of the City is conducted by independent certified public accountants in accordance with Michigan Act 2 of the Public Acts of 1968, as amended, the Department of Treasury Bulletin for Audits of Local Units of Governments in Michigan and the Federal Standards for Audit of Governmental Organizations, Programs, Activities and Functions. The auditors are required to audit all funds and account groups of the city in accordance with generally accepted auditing standards. The firm Plante & Moran, PLLC, has performed audit services for the fiscal year ending June 30, 2004. Their opinion is presented in the financial section of this report.

## Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Three Rivers for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This was the ninth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to conform to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

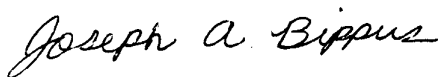
## Acknowledgements

The preparation of the Comprehensive Annual Financial Report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. The preparation of the report required a major effort from the accounting staff and we would like to express our appreciation to everyone who assisted and contributed to the effort.

We wish to acknowledge the professional manner in which the audit was conducted by Plante & Moran and express our appreciation for their assistance.

We also thank the City Commission for the commitment and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Sincerely,



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Joseph A. Bippus  
City Manager



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Wendy J. Hochstedler, CPA  
Finance Director/City Treasurer

## **Financial Section**

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## Independent Auditor's Report

To the City Council  
City of Three Rivers, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Three Rivers, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Three Rivers' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Three Rivers as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Three Rivers' basic financial statements. The management's discussion and analysis, retirement system schedules of funding progress and the budgetary comparison schedules as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The introductory section, other supplemental information, and statistical section as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.



To the City Council  
City of Three Rivers, Michigan

The budgetary comparison schedules, combining balance sheets and combining statements of revenue, expenditures and changes in fund balance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis and retirement systems schedules of funding progress, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The Introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2004 on our consideration of the City of Three Rivers' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of the GASB Statement No. 34, Basic Financial statements--and Management's Discussion and Analysis--for State and Local Governments, and related statements, as of July 1, 2003. In adopting this statement, the financial statements now include a Management's Discussion and Analysis, Government-wide full accrual financial statements, and reorganized fund based statements. In addition, the governmental funds now accrue a liability for compensated absences only to the extent that they come due for payment prior to year end.

*Plante & Moran, PLLC*

September 3, 2004

# City of Three Rivers

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## Management's Discussion and Analysis

Our discussion and analysis of the City of Three Rivers, Michigan's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the City's financial statements.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2004:

- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$39,700 this year. The City reacted by postponing demolition plans at the old Essex Wire location for this fiscal year and closely monitoring other expenditures, which resulted in an undesignated fund balance increase of \$109,472 in the City's General Fund.
- The City has started a number of major projects around the City. Capital improvement bonds have been issued in the amount of \$2,600,000 and funding from State and Federal Grants will be used to defray most of the costs. The projects are the Airport Expansion & Industrial Park, East Downtown Parking Lot, American Axle & Manufacturing Company infrastructure improvements, reconstruction of Portage Avenue and Welton Housing Development. The grand total estimated to complete these projects is \$8,032,850.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

# City of Three Rivers

## Management's Discussion and Analysis (Continued)

### The City as a Whole

The following table shows, in a condensed format, the net assets as of the current date:

	Governmental Activities	Business-type Activities	Total
Current assets	\$ 4,873,594	\$ 3,740,248	\$ 8,613,842
Noncurrent assets	<u>6,363,669</u>	<u>13,976,813</u>	<u>20,340,482</u>
Total assets	11,237,263	17,717,061	28,954,324
Current liabilities	1,184,102	183,856	1,367,958
Long-term liabilities	<u>2,960,866</u>	<u>6,646,188</u>	<u>9,607,054</u>
Total liabilities	4,144,968	6,830,044	10,975,012
Net assets:			
Invested in capital assets -			
Net of related debt	2,968,974	7,411,813	10,380,787
Restricted	3,471,114	-	3,471,114
Unrestricted (deficit)	<u>652,207</u>	<u>3,475,204</u>	<u>4,127,411</u>
Total net assets	<u>\$ 7,092,295</u>	<u>\$ 10,887,017</u>	<u>\$ 17,979,312</u>

The City's combined net assets increased 4.6 percent from a year ago – increasing from \$17,177,331 to \$17,979,312. As we look at the governmental activities separately from the business-type activities, we can see that there was an increase of 13% in net assets. The major components of the increase were the increase to property tax revenue related to the addition of taxable property included on the IFT roll and a slight increase in ad valorem taxable property assessments. Also, a reduction in general fund expenditures contributed to the increase in net assets during the year.

# City of Three Rivers

## Management's Discussion and Analysis (Continued)

The following table shows the changes in the net assets during the current year:

	Governmental Activities	Business-type Activities	Total
<b>Revenue</b>			
Program revenue:			
Charges for services	\$ 698,732	\$ 3,302,208	\$ 4,000,940
Operating grants and contributions	274,479	-	274,479
Capital grants and contributions	1,412,840	-	1,412,840
General revenue:			
Property taxes	2,998,127	176,056	3,174,183
State-shared revenue	1,571,248	-	1,571,248
Unrestricted investment earnings	25,276	(31,107)	(5,831)
Miscellaneous revenue	401,743	380	402,123
Transfers	75,141	(75,141)	-
Total revenue	7,457,586	3,372,396	10,829,982
<b>Program Expenses</b>			
General government	1,395,801	-	1,395,801
Public safety	1,964,599	-	1,964,599
Public works	1,955,623	-	1,955,623
Community and economic development	1,286,882	-	1,286,882
Interest on long-term debt	23,244	-	23,244
Water and wastewater	-	2,792,362	2,792,362
Ambulance	-	640,370	640,370
Total program expenses	6,626,149	3,432,732	9,418,511
<b>Change in Net Assets</b>	<b>\$ 831,437</b>	<b>\$ (60,336)</b>	<b>\$ 1,411,471</b>

### Governmental Activities

The City's general fund revenues have increased by approximately \$386,000, which represents 10.7 percent over last year. The increase was due to the continuing increase in property taxes, increased investment interest and increased fee revenue for licenses and permits.

General fund expenditures decreased by about \$527,000 when compared to last year. The City had major contributions last year to various capital projects that are in process. Other than these major projects, the City closely monitored its spending in all other areas to insure expected levels of service.

# City of Three Rivers

## Management's Discussion and Analysis (Continued)

### **Business-type Activities**

#### **Ambulance Fund**

The Ambulance Fund had operating revenues increase by \$111,750 since last year. The increase is primarily due to the change to in-house billing and increased control by management of the billing and collections procedures. The operating expenses remained almost the same as the previous year. There was approximately \$140,000 of net income before a \$22,776 transfer was made to the General Fund to cover a portion of future health insurance costs.

#### **Water/Wastewater Fund**

The Water/Wastewater Fund had an increase of \$129,335 in operating revenues since last year. This was due to the scheduled rate increase of the sewer portion of the utility bills. There was operating income of approximately \$225,000 which was \$130,000 less than the previous year. The major factor causing the increase in total operating expenses is more personnel and supplies used to continue efforts to replace old meters and try to recover lost revenue due to water loss. The total annual depreciation expense was also higher than the previous year. There was a significant increase in non-operating expenses when compared to last year due to changing market conditions which reduced investments.

### **Component Units**

Component units include funds such as the Industrial Development Authority, Downtown Development Authority, Brownfield Redevelopment Authority and the City Library. Significant activity this year was the Downtown Development Authority's undertaking of the East Parking Lot project and the \$630,000 debt incurred to fund a portion of the project.

### **General Fund Budgetary Highlights**

The General Fund pays for most of the City's governmental services. The most significant category is public safety that includes mostly police and fire, which incurred expenses of approximately \$1,871,219 in 2004 or 48.2% of the total General Fund expenditures.

The City has a Solid Waste millage of .4 mills that generated approximately \$72,000 to offset a portion of the annual cost of dump passes supplied to residents, and a portion of the annual city-wide leaf pickup program costs that are included in the total \$422,455 of Public Works activity expenditures for this fiscal year.

The \$596,694 total of Other community services category of expenditures includes grant expenses for a Juvenile Justice Delinquency Prevention Program in the amount of \$160,833, the Parks department activity in the amount of \$281,122 that includes approximately \$50,000 for the renovation of the small pond in Scidmore Park and other items that include \$25,000 for the completion of a new parking lot behind the downtown buildings on the west side, contribution for participation in the St. Joseph County Economic Development Group, City newsletter costs and other professional fees relating to prospecting on new economic development leads.

# City of Three Rivers

## Management's Discussion and Analysis (Continued)

As shown in the required supplemental information, The City had originally budgeted operational expenditures of \$3,874,275. During the course of the year, the City amended the budget and changed the budgeted expenditures to \$4,080,464, or an overall increase of \$206,189. Actual net operating results ended up as an increase of \$109,472 fund balance.

The significant budget to actual differences were a result of the following:

- Fire Department grant for new diesel exhaust system in the amount of \$58,000 was not received during the year as expected. The grant is expected to be received and the exhaust system installed in 2005.
- The budget was increased by \$156,575 for the current year Juvenile Justice Grant activity.

### **Capital Asset and Debt Administration**

The City continued making timely payments on revenue and general obligation bonds incurred to construct major capital related improvements to infrastructure. On the most recent bond issue, there were no principal payments due this fiscal year but will begin in November, 2004. There is a \$535,000 - 50% forgivable loan included in the City's overall debt obligations. The Michigan Economic Development Corporation will forgive \$10,000 for each new job created in the City's new airport industrial park within the next five years.

### **Economic Factors and Next Year's Budgets and Rates**

The City's budget for the next fiscal year reflects another decrease in State-shared revenue. Current economic conditions in the State of Michigan have put statutory revenue sharing payments at risk of being reduced. The City Commission has adopted a conservative budget that facilitates community priorities and quality services. The amount of any possible reduction is unknown and if it exceeds the projected decrease, the City will at that time address what measures will be taken to balance the budget. Through the tough economic times around the country, the City of Three Rivers has maintained the same level of personnel and services to the public.

The City will finalize a number of major projects around the City including those discussed on page three of this report. The City has secured a \$375,000 Category F Economic Connector grant and will issue bonds in the amount of \$2,310,000 for the reconstruction of Broadway Street.

The grand total estimated to complete these projects is an investment in the community of \$10,717,850 in little over a two year period.

# City of Three Rivers

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## Management's Discussion and Analysis (Continued)

### Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City Manager's office.

# City of Three Rivers, Michigan

## Statement of Net Assets June 30, 2004

	Primary Government			Component
	Governmental	Business-type		Units
	Activities	Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 2)	\$ 794,654	\$ 51,222	\$ 845,876	\$ 43,165
Investments (Note 2)	3,079,515	2,400,331	5,479,846	404,929
Receivables - Net				
Customers	-	736,912	736,912	12,662
Special Assessments	570,000	-	570,000	-
Accrued Interest	1,802	-	1,802	-
Other	371,537	551,783	923,320	-
Due from other governmental units	122,052	-	122,052	-
Prepaid expenses and other assets	504,034	-	504,034	-
Capital assets - Net (Note 3)	<u>5,793,669</u>	<u>13,976,813</u>	<u>19,770,482</u>	<u>893,393</u>
Total assets	11,237,263	17,717,061	28,954,324	1,354,149
<b>Liabilities</b>				
Accounts payable	460,407	59,266	519,673	13,400
Accrued and other liabilities	183,695	124,590	308,285	1,796
Advances on construction	540,000	-	540,000	-
Noncurrent liabilities (Note 5)				
Due within one year	177,971	330,000	507,971	34,162
Due in more than one year	2,646,724	6,235,000	8,881,724	702,289
Compensated absences	<u>136,171</u>	<u>81,188</u>	<u>217,359</u>	<u>-</u>
Total liabilities	4,144,968	6,830,044	10,975,012	751,647
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	2,968,974	7,411,813	10,380,787	786,942
Restricted:				
Streets and highways	2,119,710	-	2,119,710	-
Capital projects	571,964	-	571,964	-
Cemetery perpetual care	209,440	-	209,440	-
Special assessments	570,000	-	570,000	-
Unrestricted (deficit)	<u>652,207</u>	<u>3,475,204</u>	<u>4,127,411</u>	<u>(184,440)</u>
Total net assets	<u>\$ 7,092,295</u>	<u>\$ 10,887,017</u>	<u>\$ 17,979,312</u>	<u>\$ 602,502</u>



# City of Three Rivers, Michigan

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
<b>Functions/Programs</b>				
Primary Government:				
Governmental activities:				
General government	\$ 1,395,801	\$ 649,112	\$ 274,479	\$ -
Public safety	1,964,599	-	-	-
Public works	1,955,623	49,620	-	-
Community and economic development	1,286,882	-	-	1,412,840
Interest on long-term debt	23,244	-	-	-
Total governmental activities	6,626,149	698,732	274,479	1,412,840
Business-type Activities:				
Water and wastewater	2,792,362	2,695,198	-	-
Ambulance	640,370	607,010	-	-
Total primary government	<u>\$ 10,058,881</u>	<u>\$ 4,000,940</u>	<u>\$ 274,479</u>	<u>\$ 1,412,840</u>
Component Units:				
Industrial Development Authority	\$ 13,187	\$ -	\$ -	\$ -
Downtown Development Authority	718,349	-	-	-
Brownfield Redevelopment Authority	61,346	-	58,346	-
Library Operations	555,774	9,185	117,829	-
Total component units	<u>\$ 1,348,656</u>	<u>\$ 9,185</u>	<u>\$ 176,175</u>	<u>\$ -</u>
General Revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Miscellaneous				
Interfund transfers				
Total general revenues and transfers				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

The Notes to Financial Statements are an  
Integral Part of this Statement.

**Statement of Activities**  
**Year Ended June 30, 2004**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (472,210)	\$ -	\$ (472,210)	\$ -
(1,964,599)	-	(1,964,599)	-
(1,906,003)	-	(1,906,003)	-
125,958	-	125,958	-
(23,244)	-	(23,244)	-
(4,240,098)	-	(4,240,098)	-
-	(97,164)	(97,164)	-
-	(33,360)	(33,360)	-
(4,240,098)	(130,524)	(4,370,622)	-
-	-	-	(13,187)
-	-	-	(718,349)
-	-	-	(3,000)
-	-	-	(428,760)
-	-	-	(1,163,296)
2,998,127	176,056	3,174,183	363,320
1,571,248	-	1,571,248	15,566
25,276	(31,107)	(5,831)	(4,057)
401,743	380	402,123	48,812
75,141	(75,141)	-	-
5,071,535	70,188	5,141,723	423,641
831,437	(60,336)	771,101	(739,655)
6,260,858	10,947,353	17,208,211	1,342,157
<b>\$ 7,092,295</b>	<b>\$ 10,887,017</b>	<b>\$ 17,979,312</b>	<b>\$ 602,502</b>

# City of Three Rivers

## Governmental Funds Balance Sheet June 30, 2004

	General	Municipal Street	Airport Expansion	Special Assessments	Other Non-major Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and investments	\$ 18,023	\$ 224,495	\$ 59,346	\$ 96,395	\$ 362,423	\$ 760,682
Investments	186,472	1,476,790	578	326,435	1,075,803	3,066,078
Receivables:						
Special Assessments	-	-	-	570,000	-	570,000
Accrued Interest	-	-	-	-	1,802	1,802
Other	44,291	223,725	-	6,943	96,578	371,537
Due from other governmental units	122,052	-	-	-	-	122,052
Other assets	488,903	-	-	-	-	488,903
Inventories and prepaid expenses	14,474	-	-	-	-	14,474
Total assets	<u>\$ 874,215</u>	<u>\$ 1,925,010</u>	<u>\$ 59,924</u>	<u>\$ 999,773</u>	<u>\$ 1,536,606</u>	<u>\$ 5,395,528</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 34,636	\$ 171,881	\$ 3,736	\$ 103,968	\$ 123,426	\$ 437,647
Accrued and other liabilities	72,922	95,641	-	-	11,248	179,811
Advances on construction	-	-	-	300,000	240,000	540,000
Deferred revenue	11,807	-	-	570,000	299	582,106
Total liabilities	119,365	267,522	3,736	973,968	374,973	1,739,564
<b>Fund Balances</b>						
Reserved (Note 6)	43,176	-	-	-	-	43,176
Unreserved:						
Designated	398,814	-	-	-	-	398,814
Undesignated, reported in:						
General Fund	312,860	-	-	-	-	312,860
Special Revenue Funds	-	1,657,488	-	-	462,222	2,119,710
Capital Projects Funds	-	-	56,188	25,805	489,971	571,964
Permanent Funds	-	-	-	-	209,440	209,440
Total fund balances	<u>754,850</u>	<u>1,657,488</u>	<u>56,188</u>	<u>25,805</u>	<u>1,161,633</u>	<u>3,655,964</u>
Total liabilities and fund balances	<u>\$ 874,215</u>	<u>\$ 1,925,010</u>	<u>\$ 59,924</u>	<u>\$ 999,773</u>	<u>\$ 1,536,606</u>	<u>\$ 5,395,528</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	\$ 5,793,669
Grant revenue not available to pay for current year expenditures	12,106
Special assessment receivables are expected to be collected over several years, and are not available to pay for current year expenditures	570,000
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(2,960,866)
Internal Service Funds are included as part of governmental activities (net of capital assets and debt included above)	21,422
Net assets of governmental activities	<u>\$ 7,092,295</u>

# City of Three Rivers

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2004

	General	Municipal Street	Airport Expansion	Special Assessments	Other Non- major Governmental Funds	Total Governmental Funds
<b>Revenue</b>						
Property taxes	\$ 2,179,613	\$ 818,514	\$ -	\$ -	\$ -	\$ 2,998,127
Licenses and permits	55,293	-	-	-	-	55,293
Federal grants	166,542	212,840	-	-	109,081	488,463
State-shared revenues (and grants)	991,963	-	350	-	579,285	1,571,598
Charges for services	305,428	-	-	-	-	305,428
Investment income and rentals	63,308	(18,771)	521	(2,478)	(19,376)	23,204
Other	153,976	176	229,916	15,252	678,382	1,077,702
<b>Total revenue</b>	<b>3,916,123</b>	<b>1,012,759</b>	<b>230,787</b>	<b>12,774</b>	<b>1,347,372</b>	<b>6,519,815</b>
<b>Expenditures</b>						
Current:						
General government	984,642	-	-	-	-	984,642
Public safety	1,871,219	-	-	-	-	1,871,219
Public works	422,455	1,072,763	-	-	459,251	1,954,469
Community and economic development	-	-	1,630,090	528,869	494,181	2,653,140
Other community services	596,694	-	-	-	-	596,694
<b>Total expenditures</b>	<b>3,875,010</b>	<b>1,072,763</b>	<b>1,630,090</b>	<b>528,869</b>	<b>953,432</b>	<b>8,060,164</b>
<b>Excess of Revenue Over (Under)</b>						
<b>Expenditures</b>	41,113	(60,004)	(1,399,303)	(516,095)	393,940	(1,540,349)
<b>Other Financing Sources (Uses)</b>						
Transfers in	75,141	-	-	-	56,782	131,923
Transfers out	(6,782)	-	-	-	(50,000)	(56,782)
Issuance of debt	-	1,000,000	1,142,000	570,000	-	2,712,000
<b>Total other financing sources (uses)</b>	<b>68,359</b>	<b>1,000,000</b>	<b>1,142,000</b>	<b>570,000</b>	<b>6,782</b>	<b>2,787,141</b>
<b>Net Change in Fund Balances</b>	<b>109,472</b>	<b>939,996</b>	<b>(257,303)</b>	<b>53,905</b>	<b>400,722</b>	<b>1,246,792</b>
<b>Fund Balances - Beginning of year</b>	<b>645,378</b>	<b>717,492</b>	<b>313,491</b>	<b>(28,100)</b>	<b>760,911</b>	<b>2,409,172</b>
<b>Fund Balances - End of year</b>	<b>\$ 754,850</b>	<b>\$ 1,657,488</b>	<b>\$ 56,188</b>	<b>\$ 25,805</b>	<b>\$ 1,161,633</b>	<b>\$ 3,655,964</b>

# City of Three Rivers, Michigan

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## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2004

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 1,246,792
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Asset purchases	2,197,565
Depreciation	(361,579)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	570,000
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Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds	(1,027)
--	---------

Debt proceeds are not reported as financing sources on the statement of activities	(2,712,000)
--	-------------

Internal Service Funds are also included as governmental activities	<u>(108,314)</u>
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<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 831,437</u></b>
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# City of Three Rivers, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2004

	Enterprise			
	Ambulance	Water/ Wastewater	Total	Internal Service
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$ 18,135	\$ 33,087	\$ 51,222	\$ 33,972
Investments	280,778	2,119,553	2,400,331	13,437
Receivables:				
Customers	138,592	598,320	736,912	-
Other	1,999	9,784	11,783	-
Advances	-	540,000	540,000	-
Prepaid costs and other assets	-	-	-	657
Total current assets	439,504	3,300,744	3,740,248	48,066
Noncurrent Assets:				
Capital assets	130,280	13,846,533	13,976,813	414,169
Total assets	569,784	17,147,277	17,717,061	462,235
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable	4,210	55,056	59,266	22,760
Accrued and other liabilities	22,119	183,659	205,778	3,884
Current portion of long-term debt	-	330,000	330,000	57,242
Total current liabilities	26,329	568,715	595,044	83,886
Long-term debt - Net of current portion	-	6,235,000	6,235,000	55,453
Total liabilities	26,329	6,803,715	6,830,044	139,339
<b>Net Assets</b>				
Investment in capital assets - Net of related debt	130,280	7,281,533	7,411,813	301,474
Unrestricted	413,175	3,062,029	3,475,204	21,422
Total net assets	<u>\$ 543,455</u>	<u>\$ 10,343,562</u>	<u>\$ 10,887,017</u>	<u>\$ 322,896</u>

# City of Three Rivers, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2004

	Enterprise			Internal
	Ambulance	Water/ Wastewater	Total	Service
<b>Operating Revenue</b>				
Charges for services	\$ 601,576	\$ 2,675,760	\$ 3,277,336	\$ 340,314
Other	<u>5,434</u>	<u>19,438</u>	<u>24,872</u>	<u>-</u>
Total operating revenue	607,010	2,695,198	3,302,208	340,314
<b>Operating Expenses</b>				
Operations	580,489	1,869,080	2,449,569	282,781
Depreciation	<u>59,881</u>	<u>600,907</u>	<u>660,788</u>	<u>163,735</u>
Total operating expenses	640,370	2,469,987	3,110,357	446,516
<b>Operating Income (Loss)</b>	(33,360)	225,211	191,851	(106,202)
<b>Nonoperating Revenue (Expenses)</b>				
Investment income	(2,341)	(28,766)	(31,107)	2,072
Interest expense	-	(322,375)	(322,375)	(7,269)
Property taxes	176,056	-	176,056	-
Gain (loss) on disposal of assets	<u>-</u>	<u>380</u>	<u>380</u>	<u>3,085</u>
Total nonoperating revenues (expenditures)	<u>173,715</u>	<u>(350,761)</u>	<u>(177,046)</u>	<u>(108,314)</u>
<b>Income (Loss) - Before contributions</b>	140,355	(125,550)	14,805	-
<b>Transfers from (to) Other Funds</b>	(22,776)	(52,365)	(75,141)	-
<b>Change in Net Assets</b>	117,579	(177,915)	(60,336)	(108,314)
<b>Net Assets - Beginning of year (as restated)</b>	<u>425,876</u>	<u>10,521,477</u>	<u>10,947,353</u>	<u>431,210</u>
<b>Net Assets - End of year</b>	<u>\$ 543,455</u>	<u>\$ 10,343,562</u>	<u>\$ 10,887,017</u>	<u>\$ 322,896</u>

# City of Three Rivers, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2004

	Ambulance	Water/ Wastewater	Total	Internal Service
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 560,315	\$ 2,586,221	\$ 3,146,536	\$ 340,305
Payments to suppliers	(217,780)	(1,221,971)	(1,439,751)	(250,824)
Payments to employees	(372,792)	(626,271)	(999,063)	(32,819)
Net cash provided by (used in) operating activities	(30,257)	737,979	707,722	56,662
<b>Cash Flows from Capital and Related Financing Activities</b>				
Operating transfers to other funds	(22,776)	(52,365)	(75,141)	-
Purchase of capital assets	(19,155)	(40,689)	(59,844)	(6,453)
Proceeds from sale of capital assets	-	380	380	3,085
Advances for capital projects	-	(222,500)	(222,500)	-
Property taxes	176,056	-	176,056	-
Principal and interest paid on capital debt	-	(637,375)	(637,375)	(57,761)
Net cash provided by (used in) capital and related financing activities	134,125	(952,549)	(818,424)	(61,129)
<b>Cash Flows from Investing Activities</b>				
Interest received on investments	2,878	31,054	33,932	1,451
Purchase of investment securities	(277,385)	(1,242,197)	(1,519,582)	(3,006)
Proceeds from sale and maturities of investment securities	-	69,094	69,094	-
Net cash used in investing activities	(274,507)	(1,142,049)	(1,416,556)	(1,555)
<b>Net Decrease in Cash and Cash Equivalents</b>	(170,639)	(1,356,619)	(1,527,258)	(6,022)
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>188,774</u>	<u>1,389,706</u>	<u>1,578,480</u>	<u>39,994</u>
<b>Cash and Cash Equivalents - End of year</b>	<u><b>\$ 18,135</b></u>	<u><b>\$ 33,087</b></u>	<u><b>\$ 51,222</b></u>	<u><b>\$ 33,972</b></u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ (33,360)	\$ 225,211	\$ 191,851	\$ (106,202)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	59,881	600,907	660,788	163,735
Changes in assets and liabilities:				
Receivables	(46,694)	(114,075)	(160,769)	118
Other assets	800	199	999	(9)
Accounts payable	1,620	27,295	28,915	7,810
Accrued and other liabilities	(12,504)	39,571	27,067	(8,790)
Net cash provided by (used in) operating activities	<u><b>\$ (56,778)</b></u>	<u><b>\$ (47,010)</b></u>	<u><b>\$ (103,788)</b></u>	<u><b>\$ 56,662</b></u>



# City of Three Rivers, Michigan

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## Fiduciary Funds Statement of Net Assets June 30, 2004

### Agency Funds

#### **Assets**

Cash and cash equivalents	\$ 184
Accounts receivable	<u>50,807</u>

Total assets	<u>\$ 50,991</u>
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#### **Liabilities**

Accrued and other liabilities	<u><u>\$ 50,991</u></u>
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# City of Three Rivers, Michigan

## Component Units Statement of Changes in Net Assets June 30, 2004

	Industrial Development Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Library Operations	Totals
<b>Assets</b>					
Cash and cash equivalents	\$ 15,836	\$ 9,261	\$ 5,178	\$ 12,890	\$ 43,165
Investments	119,413	19,139	-	266,377	404,929
Accrued interest receivable	1,861	10,377	424	-	12,662
Capital assets	452,786	201,061	-	239,546	893,393
Total assets	589,896	239,838	5,602	518,813	1,354,149
<b>Liabilities</b>					
Accounts payable	145	2,163	380	10,712	13,400
Bonds payable	106,451	630,000	-	-	736,451
Accrued and other liabilities	-	151	-	1,645	1,796
Total liabilities	106,596	632,314	380	12,357	751,647
<b>Net Assets</b>					
Investment in capital assets -					
Net of related debt	346,335	201,061	-	239,546	786,942
Unrestricted (deficit)	136,965	(593,537)	5,222	266,910	(184,440)
Total net assets (deficit)	<u>\$ 483,300</u>	<u>\$ (392,476)</u>	<u>\$ 5,222</u>	<u>\$ 506,456</u>	<u>\$ 602,502</u>

# City of Three Rivers, Michigan

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		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants/Contributions</u>
Industrial Development Authority Public Services	\$ 13,187	\$ -	\$ -
Downtown Development Authority Public Services	718,349	-	-
Brownfield Redevelopment Authority Public Services	61,346	-	58,346
Library Operations Public Services	<u>555,774</u>	<u>9,185</u>	<u>117,829</u>
Total governmental activities	<u>\$ 1,348,656</u>	<u>\$ 9,185</u>	<u>\$ 176,175</u>
Property taxes			
State shared revenues			
Miscellaneous			
General revenues - Interest			
Total general revenues			
<b>Change in Net Assets</b>			
<b>Net Assets</b> - Beginning of year			
<b>Net Assets (Deficit)</b> - End of year			

The Notes to Financial Statements are an  
Integral Part of this Statement.

**Component Units  
Statement of Activities  
Year Ended June 30, 2004**

Net (Expense) Revenue and Changes in Net Assets				
Industrial Development Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Library Operations	Total
\$ (13,187)	\$ -	\$ -	\$ -	\$ (13,187)
-	(718,349)	-	-	(718,349)
-	-	(3,000)	-	(3,000)
-	-	-	(428,760)	(428,760)
(13,187)	(718,349)	(3,000)	(428,760)	(1,163,296)
29,439	33,406	5,022	295,453	363,320
-	15,566	-	-	15,566
21,309	17,067	3,000	7,436	48,812
(5,551)	(1,106)	-	2,600	(4,057)
45,197	64,933	8,022	305,489	423,641
32,010	(653,416)	5,022	(123,271)	(739,655)
451,290	260,940	200	629,727	1,342,157
<b>\$ 483,300</b>	<b>\$ (392,476)</b>	<b>\$ 5,222</b>	<b>\$ 506,456</b>	<b>\$ 602,502</b>

# City of Three Rivers, Michigan

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## Notes to Financial Statements June 30, 2004

### Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Three Rivers (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Three Rivers.

#### **Reporting Entity**

The City of Three Rivers, Michigan is a municipal corporation governed by an elected mayor and six-member City Commission. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Three Rivers, Michigan (the primary government) and its component units. The discretely presented component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

**Discretely Presented Component Units** - Financial data of the following component units are included in the component units columns in the basic financial statements. They are reported in a separate column to emphasize that they are legally separate from the City. A voting majority of the governing bodies of each of these component units is appointed by the City Commission.

- a. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's budget is subject to approval by the City Commission.
- b. The Industrial Development Authority was created to develop and promote industrial districts. The governing board consists of seven members appointed by the City Commission, two members appointed by Three Rivers Community Schools, and one each appointed by Glen Oaks Community College and St. Joseph County. The Authority's budget is subject to approval by the City Commission.
- c. The Library was created to provide the public with resources for reading, viewing and audio entertaining and enlightenment. Significant corporate powers have been bestowed upon the Library. The Library's budget is subject to approval by the City Commission.
- d. The Brownfield Redevelopment Authority was created to encourage the redevelopment of contaminated property within the City by providing economic incentives through tax increment financing for certain eligible activities and Brownfield redevelopment single business tax credits. The Authority's budget is subject to approval by the City Commission.

# City of Three Rivers, Michigan

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## Notes to Financial Statements June 30, 2004

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# City of Three Rivers, Michigan

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## Notes to Financial Statements June 30, 2004

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements that will be collected after the period of availability, receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures relating to compensated absences are recorded only when payment is due.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Municipal Street Fund accounts for local road improvement projects not provided for under Act 51 of the Public Acts of 1951, as amended. Revenues received include road improvement millage passed by St. Joseph County and City street and sidewalk millage passed by City electorate.

The Airport Expansion Fund was established to account for the expansion of the City's airport. The fund provides for payment of debt service on bonds issued to finance infrastructure improvements and the purchase of additional property associated with this expansion.

The Special Assessments Fund was established to account for various capital improvement projects throughout the City funded by special assessments.

# City of Three Rivers, Michigan

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## Notes to Financial Statements June 30, 2004

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The City reports the following major proprietary funds:

The Water/Wastewater Fund accounts for the operation and maintenance of the water and wastewater systems, capital additions and improvements, and retirement of revenue bonds. Financing is provided by user charges, property taxes, and contributions from other municipalities and customers. This fund also accounts for collections of the City's water and sewer billing surcharge that is earmarked for assistance in funding water and sewer line repairs.

The Ambulance Fund accounts for operations of the City's ambulance service. Money for the operation of this fund is provided by user charges.

Additionally, the City reports the following fund types:

The Internal Service Fund accounts for major vehicle and equipment purchases and maintenance provided to other departments of the City on a cost reimbursement basis.

The Agency Funds account for assets held by the City in a trustee capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water/wastewater function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.



# City of Three Rivers, Michigan

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## Notes to Financial Statements June 30, 2004

### Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water/Wastewater Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Property Tax Revenue**

Property taxes are levied on each July 1 and December 1 based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2004 tax is levied and collectible on July 1, 2003, and is recognized as revenue in the year ended June 30, 2004, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2003 taxable valuation of the City totaled \$213.7 million (a portion of which is abated and a portion of which is captured by the TIFA and DDA), on which taxes levied consisted of 11.4253 mills for operating purposes, 1.0000 mills for ambulance services, .4000 for solid waste services, and 3.6759 mills for the improvement of City streets and sidewalks. This resulted in almost \$2.2 million for general operating, \$176,000 for ambulance services, and \$818,000 for City streets and improvements. These amounts are recognized in the respective General and Special Revenue Fund financial statements as tax revenue.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include amounts in demand deposits, as well as highly liquid investments with an original maturity of three months or less. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are recorded at fair value, based on quoted market prices.

# City of Three Rivers, Michigan

## Notes to Financial Statements June 30, 2004

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Receivables and Payables** – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.” All trade and property tax receivables are shown as net of allowance for uncollectible accounts.

**Inventories and Prepaid Items** - Inventories in the proprietary funds are valued at cost, on a first-in, first-out basis. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	15 to 20 years
Utility systems	40 to 75 years
Buildings and building improvements	40 to 50 years
Machinery and equipment	5 to 20 years
Vehicles	3 to 5 years
Office furnishings	5 to 7 years

**Compensated Absences (Vacation and Sick Leave)** – It is the City’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Accounting Change** – Effective July 1, 2003, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), along with all related statements and interpretations. The City has elected to implement the general provisions of the Statement, but not the retroactive reporting of infrastructure. Certain significant changes to the City's financial statements as a result of GASB 34 are as follows:

- A Management's Discussion and Analysis (MD&A) section providing analysis of the City's overall financial position and results of operations has been included.
- Financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the City's activities, as well as change in the fund financial statements focus on major funds.
- Capital assets in the governmental activities column of the statement of net assets includes assets previously reported in the General Fixed Asset Account Group. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-Term Debt Account Group.

# City of Three Rivers, Michigan

## Notes to Financial Statements June 30, 2004

### Note 1 - Summary of Significant Accounting Policies (Continued)

The following reconciliation of the July 1, 2003 total fund balance as previously reported to the stated net asset balance for the same period to account for prior period restatements and to comply with GASB Statement No. 34.

	Governmental Activities	Business Type Activities	Total
Combined fund equity as previously reported	\$ 2,198,224	\$ 6,698,098	\$ 8,896,322
Prior period restatement			
Capital assets (Net)	-	89,803	89,803
Restate for GASB 34			
Capital assets (Net)	3,609,618	-	3,609,618
Long-term debt	(163,928)	-	(163,928)
Deferred revenue	13,250	-	13,250
Contributed capital	-	4,159,452	4,159,452
Internal Service Fund	392,746	-	392,746
Perpetual Care Fund	210,948	-	210,948
Combined fund balances, restated as net assets	<u>\$ 6,260,858</u>	<u>\$ 10,947,353</u>	<u>\$ 17,208,211</u>

### Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States Banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The City has designated two banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The City of Three Rivers, Michigan's deposits and investment policies are in accordance with statutory authority.

# City of Three Rivers, Michigan

## Notes to Financial Statements June 30, 2004

### Note 2 - Deposits and Investments (Continued)

Deposits and investments are reported on the basic financial statements under the following categories:

	Primary Government	Component Units
Cash and cash equivalents	\$ 845,876	\$ 43,165
Investments	5,479,846	404,929
Total	<u>\$ 6,325,722</u>	<u>\$ 448,094</u>

The above amounts are classified by Governmental Accounting Standards Board Statement Number 3 in the following categories:

	Primary Government	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 845,076	\$ 309,389
Investments in securities, mutual funds, and similar vehicles	5,479,846	138,705
Petty cash or cash on hand	800	-
Total	<u>\$ 6,325,722</u>	<u>\$ 448,094</u>

#### **Deposits:**

The bank balance of the City's deposits is \$845,648, of which approximately \$200,000 is covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluated each financial institution it deposits City funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The component units' deposits had a bank balance of \$309,389, of which \$100,000 was covered by federal depository insurance.

# City of Three Rivers, Michigan

## Notes to Financial Statements June 30, 2004

### Note 2 - Deposits and Investments (Continued)

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at June 30, 2004.

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, or securities held by the City or its agent in the City's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

At year end, the City's investment balances were categorized as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary Government:				
Corporate bonds	\$ 1,677,229	\$ -	\$ -	\$ 1,677,229
U.S. government securities	<u>3,802,617</u>	<u>-</u>	<u>-</u>	<u>3,802,617</u>
Total	<u>\$ 5,479,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,479,846</u>
Component Units:				
U.S. government securities	<u>\$ 138,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,705</u>

# City of Three Rivers, Michigan

## Notes to Financial Statements June 30, 2004

### Note 3 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 1,286,283	\$ 1,553,330	\$ -	\$ 2,839,613
Capital assets being depreciated:				
Buildings and improvements	2,116,647	1,100	-	2,117,747
Vehicles	1,677,432	23,933	1,878	1,699,487
Office furnishings	519,573	38,026	4,996	552,603
Outdoor items	966,399	574,296	-	1,540,695
Other tools and equipment	1,393,655	13,450	-	1,407,105
Subtotal	6,673,706	650,805	6,874	7,317,637
Accumulated depreciation:				
Total accumulated depreciation	3,845,141	525,314	6,874	4,363,581
Net capital assets being depreciated	2,828,565	125,491	-	2,954,056
Net capital assets	\$ 4,114,848	\$ 1,678,821	\$ -	\$ 5,793,669
	As Amended			
<b>Business-type Activities</b>	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Capital assets not being depreciated:				
Land	\$ 254,572	\$ -	\$ -	\$ 254,572
Capital assets being depreciated:				
Water and sewer distribution systems	26,630,020	-	-	26,630,020
Buildings and building improvements	5,280,173	-	-	5,280,173
Vehicles and equipment	3,511,123	59,844	18,483	3,552,484
Subtotal	35,421,316	59,844	18,483	35,462,677
Accumulated depreciation:				
Total accumulated depreciation	21,098,131	660,788	18,483	21,740,436
Subtotal	21,098,131	660,788	18,483	21,740,436
Net capital assets being depreciated	14,323,185	(600,944)	-	13,722,241
Net capital assets	\$ 14,577,757	\$ (600,944)	\$ -	\$ 13,976,813

# City of Three Rivers, Michigan

## Notes to Financial Statements June 30, 2004

### Note 3 - Capital Assets (Continued)

Capital asset activity for the City of Three River's component units for the year ended June 30, 2004 was as follows:

Land	\$ 889,416
Furniture and fixtures	95,137
Books	632,899
Shelves	60,130
Computers	90,775
Subtotal	<u>1,768,357</u>
Less accumulated depreciation	<u>(874,964)</u>
Net carrying amount	<u>\$ 893,393</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:

General government	\$ 99,216
Public safety	204,270
Public works	32,704
Community and economic development	25,389
Internal Service Fund depreciation is charged to the various function based on their usage of the asset	<u>163,735</u>
Total governmental activities	<u>\$ 525,314</u>

Business-type Activities:

Water	\$ 44,531
Sewer	556,376
Ambulance	<u>59,881</u>
Total business-type activities	<u>\$ 660,788</u>



# City of Three Rivers, Michigan

## Notes to Financial Statements June 30, 2004

### Note 3 - Capital Assets (Continued)

**Construction Commitments** – The City has active construction projects at year end. The City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Street reconstruction	\$ 222,263	\$ 218,589
Economic development	326,786	641,678
Total	<u>\$ 549,049</u>	<u>\$ 860,267</u>

### Note 4 - Interfund Transfers

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
Ambulance	General	\$ 22,776
Water/Wastewater	General	52,365
General	CDBG Rental Rehab Grant	1,458
General	CDBG-ADR Program	799
General	Cemetery Perpetual Care	4,525
Major street	Local street	<u>50,000</u>
Total		<u>\$ 131,923</u>

Interfund transfers to the General fund from both the Ambulance and Water/Wastewater fund were to fund an insurance reserve held in the General Fund. The transfer from Major Street Fund to the Local Street Fund was to cover the cost of maintenance on local streets during the year.

### Note 5 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
MEDC forgivable loan	4.00	2012	\$ -	\$ 535,000	\$ -	\$ 535,000	\$ -
Land Contract - land purchase	5.00	2008	-	207,000	-	207,000	44,959
General obligation bonds - economic development	2.00-4.45	2024	-	1,970,000	-	1,970,000	75,770
Installment purchases - equipment	5.10-5.95	2007	163,188	-	(50,493)	112,695	57,242
Accumulated employee benefits	-		129,650	6,521	-	136,171	-
Total governmental activities			<u>\$ 292,838</u>	<u>\$ 2,718,521</u>	<u>\$ (50,493)</u>	<u>\$ 2,960,866</u>	<u>\$ 177,971</u>
<b>Business-type Activities</b>							
Revenue bonds - water/wastewater	5.00	2005	\$ 125,000	\$ -	\$ (60,000)	\$ 65,000	\$ 65,000
General obligation bonds - water/wastewater	4.25-5.00	2021	<u>6,755,000</u>	<u>-</u>	<u>(255,000)</u>	<u>6,500,000</u>	<u>265,000</u>
Total business-type activities			<u>\$ 6,880,000</u>	<u>\$ -</u>	<u>\$ (315,000)</u>	<u>\$ 6,565,000</u>	<u>\$ 330,000</u>
<b>Component Unit</b>							
Mortgage	6.00	2013	\$ 115,796	\$ -	\$ (9,345)	\$ 106,451	\$ 9,932
General obligation bonds - economic development	2.00-4.45	2023	<u>-</u>	<u>630,000</u>	<u>-</u>	<u>630,000</u>	<u>24,230</u>
Total component unit			<u>\$ 115,796</u>	<u>\$ 630,000</u>	<u>\$ (9,345)</u>	<u>\$ 736,451</u>	<u>\$ 34,162</u>

# City of Three Rivers, Michigan

## Notes to Financial Statements June 30, 2004

### Note 5 - Long-term Debt (Continued)

Annual debt service requirements (excluding accumulated employee benefits) to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 177,972	\$ 98,037	\$ 276,009	\$ 330,000	\$ 310,573	\$ 640,573
2006	140,337	45,571	185,908	275,000	296,060	571,060
2007	143,638	31,873	175,511	285,000	284,373	569,373
2008	214,504	53,116	267,620	300,000	272,260	572,260
2009	220,421	40,867	261,288	310,000	258,760	568,760
2010-2014	779,930	302,380	1,082,310	1,765,000	1,072,175	2,837,175
2015-2019	515,237	190,586	705,823	2,235,000	612,250	2,847,250
2020-2024	632,656	71,739	704,395	1,065,000	80,750	1,145,750
Total	<u>\$ 2,824,695</u>	<u>\$ 834,169</u>	<u>\$ 3,658,864</u>	<u>\$ 6,565,000</u>	<u>\$ 3,187,201</u>	<u>\$ 9,752,201</u>

	Component Units		
	Principal	Interest	Total
2005	\$ 34,162	\$ 28,895	\$ 63,057
2006	34,767	27,805	62,572
2007	35,408	26,650	62,058
2008	37,290	25,389	62,679
2009	38,023	23,988	62,011
2010-2014	189,699	95,064	284,763
2015-2019	164,765	60,947	225,712
2020-2024	202,337	22,899	225,236
Total	<u>\$ 736,451</u>	<u>\$ 311,637</u>	<u>\$ 1,048,088</u>

# City of Three Rivers, Michigan

## Notes to Financial Statements June 30, 2004

### Note 6 - Reserved and Designated Fund Equity

Fund balance have been reserved and designated for the following purposes:

	Reserved	Designated
General Fund:		
Airport hangar reserve	\$ 43,176	\$ -
Subsequent year's budgeted expenditures in excess of budgeted revenue	-	170,134
Police training	-	2,004
Municipal building maintenance	-	104,767
Insurance reserve	-	75,142
Vacation and sick leave	-	46,767
Total	<u>\$ 43,176</u>	<u>\$ 398,814</u>

### Note 7 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for underground storage tanks, airport liability, and medical benefit claims. The City participates in the Michigan Municipal League risk pool for claims relating to workers' compensation, property loss, tort, and errors and omissions. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

# City of Three Rivers, Michigan

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## Notes to Financial Statements June 30, 2004

### Note 8 - Defined Benefit Pension Plan

#### Plan Description

The City participates in the Michigan Municipal Employees Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers all full-time employees of the City. The MMERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MMERS at 1134 Municipal Way, Lansing, MI 48917.

#### Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees of up to 7.4 percent, depending on the bargaining unit.

#### Annual Pension Cost

For the year ended June 30, 2004, the City's annual pension cost of \$194,274 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent to 8.66 percent per year, and (c) no postretirement cost-of-living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of market deviations from the 8 percent assumed rate of return over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

# City of Three Rivers, Michigan

## Notes to Financial Statements June 30, 2004

### Note 8 - Defined Benefit Pension Plan (Continued)

#### Three-year Trend Information

	Fiscal Year Ended December 31		
	2002	2003	2004
Annual pension costs (APC)	\$ 191,537	\$ 201,984	\$ 194,274
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	2000	2001	2002
Actuarial value of assets	\$ 6,672,787	\$ 7,250,897	\$ 7,541,306
Actuarial accrued liability (AAL)			
(entry age)	\$ 7,462,708	\$ 7,942,526	\$ 8,377,590
Unfunded AAL (UAAL)	\$ 789,921	\$ 691,629	\$ 836,284
Funded ratio	89%	91%	90%
Valuation payroll	\$ 2,522,148	\$ 2,593,416	\$ 2,673,660

### Note 9 - Subsequent Event

The City issued approximately \$2,310,000 limited tax general obligation bonds subsequent to year end. The bonds will be used to finance the cost of Broadway Street reconstruction.

## **Required Supplemental Information**

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# City of Three Rivers

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 2,209,590	\$ 2,234,751	\$ 2,179,613	\$ (55,138)
Licenses and permits	41,700	55,800	55,293	(507)
Intergovernmental revenue:				
State Grants	1,004,500	990,497	991,963	1,466
Miscellaneous	178,918	162,018	153,976	(8,042)
Federal Grants	15,000	219,768	166,542	(53,226)
Charges for services	322,567	331,567	305,428	(26,139)
Investment income	50,000	79,000	63,308	(15,692)
Transfers in	<u>52,000</u>	<u>52,536</u>	<u>75,141</u>	<u>22,605</u>
Total revenue	3,874,275	4,125,937	3,991,264	(134,673)
<b>Expenditures</b>				
General government:				
City commission	22,515	22,515	20,535	1,980
City manager	147,650	147,650	137,336	10,314
Legal and professional	100,000	94,400	90,666	3,734
City assessor	53,925	64,425	64,083	342
City Clerk	136,466	141,966	139,173	2,793
Boards, committees, and commissions	3,600	1,800	1,728	72
Finance department	219,536	224,036	223,765	271
Building and grounds	104,090	108,294	103,434	4,860
Administrative services	92,508	90,508	90,457	51
Cemetery	<u>114,357</u>	<u>114,357</u>	<u>113,465</u>	<u>892</u>
Total general government	994,647	1,009,951	984,642	25,309
Public safety:				
Police	1,430,547	1,394,089	1,377,334	16,755
Fire	389,196	475,331	415,003	60,328
Inspections	63,535	70,085	69,771	314
Hazardous structures	62,325	9,825	9,085	740
Planning	2,250	150	26	124
Total public safety	1,947,853	1,949,480	1,871,219	78,261



# City of Three Rivers

## Required Supplemental Information Budgetary Comparison Schedule (Continued) - General Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Public works:				
General maintenance	121,709	169,209	169,044	165
Street lightening	78,600	75,600	70,653	4,947
Solid waste management	71,590	71,590	71,753	(163)
Airport	<u>127,078</u>	<u>125,818</u>	<u>111,005</u>	<u>14,813</u>
Total public works	398,977	442,217	422,455	19,762
Culture and recreation - Parks and recreation	280,633	294,032	281,122	12,910
Other Functions:				
Transfers out	8,666	8,666	6,782	1,884
Insurance and bonds	113,000	70,000	69,554	446
Special projects	<u>130,499</u>	<u>306,118</u>	<u>246,018</u>	<u>60,100</u>
Total other functions	<u>252,165</u>	<u>384,784</u>	<u>322,354</u>	<u>62,430</u>
Total expenditures	<u>3,874,275</u>	<u>4,080,464</u>	<u>3,881,792</u>	<u>198,672</u>
<b>Excess of Expenditures Over Revenues</b>	-	45,473	109,472	63,999
<b>Fund Balance - Beginning of year</b>	<u>645,378</u>	<u>645,378</u>	<u>645,378</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><b>\$ 645,378</b></u>	<u><b>\$ 690,851</b></u>	<u><b>\$ 754,850</b></u>	<u><b>\$ 63,999</b></u>

# City of Three Rivers

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended June 30, 2004

	Special Revenue - Municipal Street			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 819,746	\$ 819,746	\$ 818,514	\$ (1,232)
Intergovernmental revenue:				
Federal grants	-	187,000	212,840	25,840
Investment income	2,500	22,500	(18,771)	(41,271)
Bond proceeds	-	997,145	1,000,000	2,855
Other	-	-	176	176
Total revenue	822,246	2,026,391	2,012,759	(13,632)
<b>Expenditures</b>				
Public Services				
Routine maintenance	762,246	1,366,631	1,072,763	293,868
Excess of Revenue Over Expenditures	60,000	659,760	939,996	(307,500)
<b>Fund Balance - Beginning of year</b>	717,492	717,492	717,492	-
<b>Fund Balance - End of year</b>	<u>\$ 777,492</u>	<u>\$ 1,377,252</u>	<u>\$ 1,657,488</u>	<u>\$ 280,236</u>

# City of Three Rivers

## Required Supplemental Information Pension System Schedule of Funding Progress June 30, 2004

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
<b><u>General Employees' Retirement System</u></b>						
12/31/98	\$ 5,274,850	\$ 5,852,469	\$ 577,619	90%	\$ 323,256	28%
12/31/99	6,045,872	6,383,166	337,294	95%	394,864	15%
12/31/00	6,672,787	7,462,708	789,921	89%	414,727	31%
12/31/01	7,250,897	7,942,526	691,629	91%	345,834	27%
12/31/02	7,541,306	8,377,590	836,284	90%	343,654	31%
12/31/03	8,183,277	9,364,988	1,181,711	87%	395,483	42%

# City of Three Rivers

## Note to Required Supplemental Information June 30, 2004

### Note – Budgetary Information

**Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds, except that debt proceeds and transfers in/out have been included in the “revenue” and “expenditures” categories, rather than as an “other financing source”. All annual appropriations lapse at fiscal year-end.

The annual budget is prepared by the City management and adopted by the City Commission; subsequent amendments are approved by the City Commission. Department heads may make transfers of appropriations within a department other than personnel-related. All funds of the City are included in the budget. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

The City Commission has adopted the budget on an activity basis (for example, general government, public safety, etc.). Expenditures at this level in excess of amounts budgeted for activities are a violation of Michigan law. Department heads may make transfers within a department other than personnel-related. Although appropriations may not be transferred to or from personnel-related line items or between departments without City Commission approval, State of Michigan law does not require expenditures stay within these budgeted amounts, as long as expenditures remain within the approved activity appropriations.

**Excess of Expenditures Over Appropriations in Budgeted Funds** – During the year, the City of Three Rivers, Michigan incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund:		
Solid waste management	\$ 71,590	\$ 71,753
Special Revenue Funds:		
Community/Neighborhood Development		
Community development	\$ 120,853	\$ 127,917

## **Other Supplemental Information**

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## **Non-Major Governmental Funds**

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The Major Street Fund accounts for the construction, maintenance, and repairs of all major streets. Revenues received include state-shared gas and weight taxes, local contributions, and bonding. It is used to control the expenditures of motor fuel taxes, which are earmarked by law and the State Constitution for street and highway purposes, and is required by Act 51 of the Public Acts of 1951, as amended.

The Local Street Fund accounts for the construction, maintenance, and repairs of all local streets. Financing is provided by state-shared gas and weight taxes, local contributions, bonding, etc. It is used to control the expenditures of motor fuel taxes, which are earmarked by law and the State Constitution for street and highway purposes, and is required by Act 51 of the Public Acts of 1951, as amended.

The Neighborhood and Community Development Fund accounts for the Community Development Block Grant federal financial assistance programs.

The East Parking Lot Fund accounts for the development of capital facilities including the downtown parking lot project east of the historical downtown.

The Riverside Cemetery Perpetual Care Nonexpendable Trust Fund accounts for money held in trust for the perpetual care of the City cemetery. Revenues consist of investment earnings and charges for services.

# City of Three Rivers

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2004

	Special Revenue Funds			Capital Projects Fund	Permanent Fund	
	Major Streets	Local Streets	Neighborhood and Community Development	East Parking Lot	Riverside Perpetual Care	Total Nonmajor Governmental Funds
<b>Assets</b>						
Cash and investments	\$ 116,796	\$ 2,669	\$ 335	\$ 240,085	\$ 2,538	\$ 362,423
Investments	189,561	61,663	-	619,471	205,108	1,075,803
Receivables						
Accrued Interest	991	811	-	-	-	1,802
Other	<u>67,873</u>	<u>25,940</u>	<u>-</u>	<u>971</u>	<u>1,794</u>	<u>96,578</u>
Total assets	<b>\$ 375,221</b>	<b>\$ 91,083</b>	<b>\$ 335</b>	<b>\$ 860,527</b>	<b>\$ 209,440</b>	<b>\$ 1,536,606</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 2,488	\$ 763	\$ -	\$ 120,175	\$ -	\$ 123,426
Accrued and other liabilities	468	363	36	10,381	-	11,248
Deposits on future purchases	-	-	-	240,000	-	240,000
Deferred revenue	<u>-</u>	<u>-</u>	<u>299</u>	<u>-</u>	<u>-</u>	<u>299</u>
Total liabilities	2,956	1,126	335	370,556	-	374,973
<b>Fund Balances - Unreserved</b>						
Unreserved	372,265	89,957	-	489,971	209,440	1,161,633
Total fund balances	372,265	89,957	-	489,971	209,440	1,161,633
Total liabilities and fund balances	<b><u>\$ 375,221</u></b>	<b><u>\$ 91,083</u></b>	<b><u>\$ 335</u></b>	<b><u>\$ 860,527</u></b>	<b><u>\$ 209,440</u></b>	<b><u>\$ 1,536,606</u></b>

# City of Three Rivers

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended June 30, 2004

	Special Revenue Funds			Nonmajor Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
	Major Streets	Local Streets	Neighborhood and Community Development	East Parking Lot	Riverside Perpetual Care	
<b>Revenue</b>						
Intergovernmental revenue:						
State trunkline maintenance	\$ 37,532	\$ -	\$ -	\$ -	\$ -	\$ 37,532
State grants and other revenue	11,182	11,182	-	-	-	22,364
Gas and weight tax distributions	368,015	151,374	-	-	-	519,389
Federal grants	-	-	109,081	-	-	109,081
Investment income	(288)	(2,430)	-	(10,625)	(6,033)	(19,376)
Other	3,291	20,000	16,579	638,512	-	678,382
Total revenue	419,732	180,126	125,660	627,887	(6,033)	1,347,372
<b>Expenditures</b>						
Public services	249,522	209,729	-	-	-	459,251
Community/economic development	-	-	127,917	366,264	-	494,181
Total expenditures	249,522	209,729	127,917	366,264	-	953,432
<b>Excess of Revenue Over (Under)</b>						
<b>Expenditures</b>	170,210	(29,603)	(2,257)	261,623	(6,033)	393,940
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	50,000	2,257	-	4,525	56,782
Transfers out	(50,000)	-	-	-	-	(50,000)
Total other financing sources (uses)	(50,000)	50,000	2,257	-	4,525	6,782
<b>Net Change in Fund Balances</b>	120,210	20,397	-	261,623	(1,508)	400,722
<b>Fund Balances - Beginning of year</b>	252,055	69,560	-	228,348	210,948	760,911
<b>Fund Balances - End of year</b>	<b>\$ 372,265</b>	<b>\$ 89,957</b>	<b>\$ -</b>	<b>\$ 489,971</b>	<b>\$ 209,440</b>	<b>\$ 1,161,633</b>



# City of Three Rivers

## Other Supplemental Information

### Budgetary Comparison Schedule – Non-major Special Revenue Funds

#### Year Ended June 30, 2004

	Special Revenue Fund - Major Street			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Intergovernmental revenue:				
State trunkline maintenance	\$ 35,000	\$ 35,000	\$ 37,532	\$ 2,532
Gas and weight tax distributions	327,991	327,991	368,015	40,024
State grants and other revenue	-	11,200	11,182	(18)
Investment income	3,000	9,000	(288)	(9,288)
Other	-	3,300	3,291	(9)
Total revenue	365,991	386,491	419,732	33,241
<b>Expenditures</b>				
Major Street maintenance				
Drains - Storm sewers	48,314	48,314	20,225	28,089
Routing maintenance	72,321	125,321	85,745	39,576
Street sweeping	43,880	43,880	34,347	9,533
Bridge maintenance	10,962	10,962	6,213	4,749
Traffic service	21,000	29,300	27,513	1,787
Ice and snow control	30,624	30,624	19,025	11,599
Traffic signals	7,000	7,000	5,969	1,031
Total major street maintenance	234,101	295,401	199,037	96,364
Trunkline maintenance				
Surface maintenance	5,264	5,264	1,801	3,463
Sweeping and flushing	16,389	16,389	7,547	8,842
Shoulder maintenance	2,672	2,672	751	1,921
Trees and shrubs	5,238	5,238	1,818	3,420
Drainage and backslopes	7,678	7,678	2,921	4,757
Traffic signs	6,821	18,399	8,432	9,967
Pavement marking	7,178	7,178	1,876	5,302
Winter maintenance	30,650	30,650	25,339	5,311
Total trunkline maintenance	81,890	93,468	50,485	42,983
Transfers	50,000	50,000	50,000	-
Total expenditures	365,991	438,869	299,522	139,347

# City of Three Rivers

## Other Supplemental Information Budgetary Comparison Schedule – Non-major Special Revenue Funds (Continued) Year Ended June 30, 2004

	Special Revenue Fund - Major Street			Variance with Amended Budget
	Original Budget	Amended Budget	Actual	
Excess of Revenues Over (Under) Expenditures	-	(52,378)	120,210	172,588
Fund Balances - Beginning of Year	252,055	252,055	252,055	-
Fund Balances - End of Year	<u>\$ 252,055</u>	<u>\$ 199,677</u>	<u>\$ 372,265</u>	<u>\$ 172,588</u>

# City of Three Rivers

## Other Supplemental Information Budgetary Comparison Schedule – Non-major Special Revenue Funds (Continued) Year Ended June 30, 2004

	Special Revenue Fund - Local Street			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Intergovernmental revenue:				
Gas and weight tax distributions	\$ 140,058	\$ 140,058	\$ 151,374	\$ 11,316
State grants and other revenue	-	11,200	11,182	(18)
Investment income	100	1,100	(2,430)	(3,530)
Transfers	50,000	70,000	70,000	-
Total revenue	190,158	222,358	230,126	7,768
<b>Expenditures</b>				
Drains-Storm sewers	35,489	29,789	29,720	69
Routine maintenance	51,014	72,034	71,015	1,019
Street sweeping	45,969	50,969	48,449	2,520
Traffic service	15,312	30,312	25,329	4,983
Ice and snow	42,374	37,374	35,220	2,154
Total expenditures	190,158	220,478	209,733	21,498
<b>Excess of Revenues Over (Under) Expenditures</b>	-	1,880	20,393	(18,517)
Fund Balances - Beginning of Year	69,560	69,560	69,560	-
Fund Balances - End of Year	<u>\$ 69,560</u>	<u>\$ 71,440</u>	<u>\$ 89,953</u>	<u>\$ (18,517)</u>

# City of Three Rivers

## Other Supplemental Information Budgetary Comparison Schedule – Non-major Special Revenue Funds (Continued) Year Ended June 30, 2004

	<u>Special Revenue Fund - Neighborhood/Community Development</u>			
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b>Revenue</b>				
Intergovernmental revenue:				
Federal grants	\$ 325,000	\$ 120,853	\$ 109,081	\$ (11,772)
Transfers	-	-	2,257	2,257
Other	-	-	16,579	16,579
	<u>-</u>	<u>-</u>	<u>16,579</u>	<u>16,579</u>
 Total revenue	 325,000	 120,853	 127,917	 7,064
 <b>Expenditures</b>				
Community development	<u>325,000</u>	<u>120,853</u>	<u>127,917</u>	<u>(7,064)</u>
 <b>Excess of Revenues Over (Under)</b>				
Expenditures	-	-	-	-
 <b>Fund Balances - Beginning of Year</b>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 <b>Fund Balances - End of Year</b>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

# City of Three Rivers

## Other Supplemental Information Budgetary Comparison Schedule – Capital Project Funds Year Ended June 30, 2004

### Capital Projects Fund - Airport Expansion (Major Fund)

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Intergovernmental revenue				
Federal grants	\$ 1,580,350	\$ -	\$ -	\$ -
State grants and other revenue	70,000	350	350	-
Investment income	-	-	521	521
Proceeds from debt	935,000	935,000	1,142,000	207,000
Other	<u>225,000</u>	<u>225,000</u>	<u>229,916</u>	<u>4,916</u>
 Total revenue	 2,810,350	 1,160,350	 1,372,787	 212,437
<b>Expenditures</b>				
Community/Economic development	<u>2,810,350</u>	<u>1,473,841</u>	<u>1,630,090</u>	<u>(156,249)</u>
 Excess of Revenues Over (Under) Expenditures	 -	 (313,491)	 (257,303)	 56,188
 Fund Balance - Beginning of year	 313,491	 313,491	 313,491	 -
 Fund Balance - End of year	 <u>\$ 313,491</u>	 <u>\$ -</u>	 <u>\$ 56,188</u>	 <u>\$ 56,188</u>

# City of Three Rivers

## Other Supplemental Information Budgetary Comparison Schedule – Capital Project Funds (Continued) Year Ended June 30, 2004

Capital Projects Fund - Special Assessment (Major Fund)				
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Investment income	\$ -	\$ -	\$ (2,478)	\$ (2,478)
Proceeds from debt	600,000	470,000	570,000	100,000
Transfers	-	-	-	-
Other	-	9,897	15,252	5,355
	<u>600,000</u>	<u>479,897</u>	<u>582,774</u>	<u>102,877</u>
Total revenue	600,000	479,897	582,774	102,877
<b>Expenditures</b>				
Community/Economic development	<u>822,500</u>	<u>702,397</u>	<u>528,869</u>	<u>173,528</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(222,500)	(222,500)	53,905	276,405
<b>Fund Balance - Beginning of year</b>	(28,100)	(28,100)	(28,100)	-
<b>Fund Balance - End of year</b>	<u>\$ (250,600)</u>	<u>\$ (250,600)</u>	<u>\$ 25,805</u>	<u>\$ 276,405</u>

# City of Three Rivers

## Other Financial and Supplemental Information Budgetary Comparison Schedule – Capital Project Funds (Continued) Year Ended June 30, 2004

<u>Capital Projects Fund - East Parking Lot (Non-Major Fund)</u>				
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Intergovernmental revenue:				
Federal grants	\$ 500,000	\$ -	\$ -	\$ -
Interest income	-	-	(10,625)	(10,625)
Proceeds from debt	600,000	730,000	-	(730,000)
Transfers	-	-	630,000	630,000
Other	-	-	8,512	8,512
Total revenue	1,100,000	730,000	627,887	(102,113)
<b>Expenditures</b>				
Contractual services	1,100,000	730,000	366,264	363,736
<b>Excess of Revenues Over Expenditures</b>	-	-	261,623	261,623
<b>Fund Balance</b> - Beginning of year	228,348	228,348	228,348	-
<b>Fund Balance</b> - End of year	\$ 228,348	\$ 228,348	\$ 489,971	\$ 261,623

## **Fiduciary Funds**

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The General Trust and Agency Fund accounts for the payroll paid to the employees, after reimbursement from the benefited funds.

The Tax Collections Fund accounts for tax collections that are held by the City in the capacity of trustee. The collections are then transferred to the City's General Fund and to other governmental units on a timely distribution basis.



# City of Three Rivers

## Fiduciary Funds Combining Statement of Changes in Assets and Liabilities All Agency Funds June 30, 2004

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b><u>General Trust and Agency</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 2,356	\$ 3,789,173	\$ (3,791,345)	\$ 184
<b>Liabilities</b>				
Other payables	\$ 2,356	\$ 3,789,173	\$ (3,791,345)	\$ 184
<b><u>Tax Collections</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 11,204,954	\$ (11,204,954)	\$ -
Taxes receivable	87,107	50,507	(87,107)	50,507
Total assets	<u>\$ 87,107</u>	<u>\$ 11,255,461</u>	<u>\$ (11,292,061)</u>	<u>\$ 50,507</u>
<b>Liabilities</b>				
Due to other governmental units	\$ 87,107	\$ 11,255,461	\$ (11,292,061)	\$ 50,507
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 2,356	\$ 14,994,127	\$ (14,996,299)	\$ 184
Taxes receivable	87,107	50,507	(87,107)	50,507
Total assets	<u>\$ 89,463</u>	<u>\$ 15,044,634</u>	<u>\$ (15,083,406)</u>	<u>\$ 50,691</u>
<b>Liabilities</b>				
Due to other governmental units	\$ 87,107	\$ 11,255,461	\$ (11,292,061)	\$ 50,507
Other payables	2,356	3,789,173	(3,791,345)	184
	<u>\$ 89,463</u>	<u>\$ 15,044,634</u>	<u>\$ (15,083,406)</u>	<u>\$ 50,691</u>

## **Statistical Section**

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## City of Three Rivers, Michigan

### General Governmental Expenditures by Function General, Special Revenue, Capital Projects, and Debt Service Funds Last Ten Fiscal Years

Fiscal Year Ended June 30	General Government	Public Safety	Public Services	Health and Welfare	Community Development and Enrichment	Debt Service	Other Services	Total
1995	\$ 626,963	\$ 1,511,647	\$ 691,711	\$ 3,843	\$ 271,375	\$ 245,714	\$ 239,197	\$ 3,590,450
1996	693,028	1,296,441	609,165	6,548	99,425	189,285	194,016	3,087,908
1997	764,908	1,385,611	1,011,544	6,308	147,696	157,755	301,921	3,775,743
1998	706,748	1,481,985	848,870	6,776	153,140	153,985	275,986	3,627,490
1999	738,559	1,509,998	877,938	5,458	50,390	155,460	785,700	4,123,503
2000	902,474	1,560,822	1,259,957	56,678	228,165	151,600	610,935	4,770,631
2001	889,891	1,657,732	1,041,511	53,606	77,220	50,584	390,924	4,161,468
2002	994,003	1,785,950	1,367,003	94,949	91,729	21,510	475,302	4,830,446
2003	1,044,993	1,970,652	1,388,967	10,835	351,451	-	518,101	5,284,999
2004	984,642	1,871,219	1,954,469	-	2,563,140	-	596,694	8,060,164

#### Note:

In 1994, the City implemented GASB #14. As a result, the Component Unit operations of the Downtown Development Authority, Industrial Development Authority and the Library have been excluded from this presentation and that the debt service activity for issues relating to the Water/Wastewater Fund have been reclassified to the appropriate proprietary funds. In 2000, the City eliminated its expendable trust fund and reclassified the Accumulated Vacation and Sick Leave Fund as a special revenue type fund. The expenditure activity for this fund is presented under the Health and Welfare caption.

## City of Three Rivers, Michigan

### General Governmental Revenues by Source General, Special Revenue, Capital Projects and Debt Service Funds Last Ten Fiscal Years

Fiscal Year Ended June 30	Property Taxes	Licenses and Permits	Federal Sources	State Sources	Charges for Services	Fines and Forfeitures	Other Revenues	Total
1995	\$ 1,428,635	\$ 30,625	\$ 294,425	\$ 1,254,645	\$ 147,833	\$ 15,630	\$ 174,395	\$ 3,346,188
1996	1,529,605	33,952	127,876	1,380,098	163,053	22,200	198,159	3,454,943
1997	1,511,400	36,647	131,962	1,535,660	196,103	13,762	162,922	3,588,456
1998	1,655,128	38,245	235,995	1,522,556	183,144	16,431	320,829	3,972,328
1999	1,683,984	45,034	79,582	1,593,559	182,649	37,010	331,837	3,953,655
2000	1,776,921	37,871	204,942	1,841,273	205,504	45,237	473,081	4,584,829
2001	1,903,975	40,711	160,320	1,784,490	226,824	47,917	501,689	4,665,926
2002	2,068,959	48,847	223,644	1,680,656	232,110	43,015	300,384	4,597,615
2003	2,712,448	51,443	127,527	1,733,700	239,782	49,290	317,106	5,231,296
2004	2,998,127	55,293	488,463	1,571,597	255,778	49,650	1,100,907	6,519,815

Note:

In 1994, the City implemented GASB #14. As a result, the Component Unit operations of the Downtown Development Authority, Industrial Development Authority and the Library have been excluded from this presentation.

## City of Three Rivers, Michigan

### Property Tax Levy and Collections Last Ten Fiscal Years

July 1 Tax Year	Fiscal Year Ended June 30	Total Adjusted Tax Levy (1)	Collections before March 1 Delinquent Date	Percent of Levy Collected
1994	1995	\$ 1,854,788	\$ 1,748,883	94.29%
1995	1996	2,075,630	1,918,953	92.45%
1996	1997	2,113,422	2,081,971	98.51%
1997	1998	2,150,517	2,020,912	93.97%
1998	1999	2,185,715	2,035,753	93.14%
1999	2000	2,433,142	2,308,275	94.87%
2000	2001	2,480,260	2,377,018	95.84%
2001	2002	2,549,520	2,402,765	94.24%
2002	2003	2,985,992	2,855,931	95.64%
2003	2004	3,294,875	3,178,694	96.47%

- (1) Tax levies reflect adjustments for Tax Tribunal consent judgments, Board of Review decisions, real estate taxes canceled through foreclosure and state scavenger sales, and personal property taxes canceled by Circuit Court. Does not include penalty and interest on late payment of taxes.

# City of Three Rivers, Michigan

## Assessed and Estimated Actual Valuation of Taxable Property Last Ten Fiscal Years

Tax Year	Fiscal Year Ended June 30	Real Ad Valorem & IFT SEV	Personal Ad Valorem & IFT SEV	Total Ad Valorem & IFT SEV
1994	1995	\$ 74,429,069	\$ 29,325,400	\$ 103,754,469
1995	1996	75,279,398	29,273,170	104,552,568
1996	1997	76,196,134	29,268,036	105,464,170
1997	1998	82,529,659	27,392,870	109,922,529
1998	1999	97,478,474	51,674,170	149,152,644
1999	2000	139,775,465	28,111,781	167,887,246
2000	2001	150,339,398	30,229,022	180,568,420
2001	2002	125,428,513	62,748,325	188,176,838
2002	2003	137,953,201	67,293,816	205,247,017
2003	2004	145,114,443	93,883,993	238,998,436

Per Capita Total SEV for the Fiscal Year Ending June 30, 2003 (1) \$ 32,614

(1) Based on the City's 2000 Census of 7,328

(1) In accordance with the 1970 State of Michigan Constitution, the assessed value is 50 percent of the appraised or estimated value.

# City of Three Rivers, Michigan

## Property Tax Rates Direct and Overlapping Governments (Per \$1,000 of Assessed Valuation) Last Ten Fiscal Years

Tax Year	Fiscal Year Ended June 30	(1) General Operating	Library Operating	Voted Millage (Library)	Voted Millage (EMS)	Solid Waste Management	City Streets And Sidewalks	Debt Service	Total City	County Operating	County 911 Service	County Road Maint.	Commission on Aging	Special Education	School Debt Service	Intermediate Schools	Community College	Schools	Combined Total
1994	1995	11.6597	0.9716	0.7432	-	-	-	4.2000	17.5745	4.5485	0.7167	1.0000	0.2500	0.2287	-	2.6204	2.9300	24.0000	53.8688
1995	1996	11.6597	0.9716	0.7432	2.0000	-	-	4.4780	19.8525	4.5485	0.7167	1.0000	0.2500	0.2287	-	2.6204	2.8670	24.0000	56.0838
1996	1997	11.6597	0.9716	0.7432	2.0000	-	-	3.5885	18.9630	4.5485	0.7500	1.0000	0.2500	0.2287	5.9300	2.6204	2.8670	24.0000	61.1576
1997	1998	11.6597	0.9716	0.7432	0.8930	-	-	3.6530	17.9205	4.5380	0.7483	0.9977	0.2494	0.2271	5.9300	2.6022	2.8670	24.0000	60.0802
1998	1999	11.6597	0.9716	0.7432	0.8772	-	-	3.4762	17.7279	4.4942	0.7445	0.9903	0.2500	0.2250	5.4500	2.5786	2.8409	24.0000	59.3014
1999	2000	11.6151	0.9678	0.7403	0.9077	-	-	3.7710	18.0019	4.7095	0.7366	0.9798	0.2473	0.2370	5.4000	2.5473	2.8117	23.9973	59.6684
2000	2001	11.5001	0.9582	0.7329	0.8978	0.5360	-	2.4520	17.0770	4.6595	0.7288	0.9694	0.2446	0.2343	5.1500	2.5184	2.7806	23.9973	58.3599
2001	2002	11.5001	0.9582	0.7329	1.9725	0.4725	-	2.4260	18.0622	4.6150	0.6218	0.9601	0.2422	0.2318	5.0000	2.4917	2.7559	23.9973	58.9780
2002	2003	11.5001	0.9582	0.7329	1.1000	0.4000	3.7000	0.0000	18.3912	4.5997	0.6218	0.9569	0.3333	0.2309	4.8300	2.4821	2.7495	23.9972	59.1926
2003	2004	11.4253	0.9520	0.7280	1.0000	0.4000	3.6759	0.0000	18.1812	4.5794	0.6218	0.9526	0.3318	0.2302	4.7500	2.4752	2.7453	22.9595	57.8270

(1) City general operating tax rate charter limit equals 12.0 mills.

# City of Three Rivers, Michigan

## Special Assessment Billings and Collections Last Ten Fiscal Years

Fiscal Year Ended June 30	Beginning Outstanding Assessments	Special Assessment Billings	Total Assessments	Assessments Collected and/or written off by City	Percent of Collections to Total	Ending Outstanding Assessments
1995	\$ 119,782	\$ 143,362	\$ 263,144	\$ 73,940	28%	\$ 189,204
1996	189,204	84,250	273,454	71,314	26%	202,140
1997	202,140	60,149	262,289	60,080	23%	202,209
1998	202,209	49,783	251,992	31,290	12%	220,702
1999	220,702	60,565	281,267	34,509	12%	246,758
2000	246,758	116,967	363,725	45,488	13%	318,237
2001	318,237	61,927	380,164	124,035	16%	256,129
2002	256,129	71,327	327,456	106,516	22%	220,940
2003	220,940	-	220,940	220,940	0%	-
2004	-	570,000	570,000	-	0%	570,000

Note: Delinquent special assessments are transferred to the City tax rolls in the following year. The County Delinquent Tax Revolving Fund reimburses the City 100 percent of delinquent special assessments, as well as delinquent real property taxes.



## City of Three Rivers, Michigan

### Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt per Capita Last Ten Fiscal Years

Fiscal Year Ended June 30	(1) Population	State Equalized Assessed Value	Net Direct Debt Outstanding	Percent of Net Direct Debt to Total State Equalized Value	Net Direct Debt Per Capita
1995	7,413	\$ 103,754,469	\$ 2,755,000	2.66%	\$ 372
1996	7,413	105,187,971	2,405,000	2.29%	324
1997	7,413	105,464,170	2,035,000	1.93%	275
1998	7,413	109,922,529	1,625,000	1.48%	219
1999	7,413	126,761,317	1,205,000	0.95%	163
2000	7,413	141,226,237	745,000	0.53%	100
2001	7,328	180,568,420	267,957	0.15%	37
2002	7,328	188,176,838	310,915	0.17%	42
2003	7,328	205,247,017	197,466	0.10%	27
2004	7,328	238,998,436	2,712,694	1.14%	370

(1) Bureau of the Census 1980 Population Report for 1991 through 2000

Bureau of the Census 2000 Population Report for 2001

# City of Three Rivers, Michigan

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## Computation of Legal Debt Margin June 30, 2004

### Debt Limit:

2002 State-Equalized Valuation	\$ 239,657,098
Debt Limit (1)	<u>0.1000</u>
(10 Percent of equalized value)	23,965,710

### Debt Applicable to Debt Limit:

Total Gross Direct Debt	\$ 9,277,694
Less exempt debt deductions allowed by law: Water and Sewer Revenue Bonds	<u>6,565,000</u>
Total amount of debt applicable to limit	<u>2,712,694</u>

Legal Debt Margin	<u><u>\$ 21,253,016</u></u>
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(1) Debt limit set forth in Section 4a, Act 279 of 1909 and Act 202, P.A. 1943 as amended by Act 42, P.A. 1960.

# City of Three Rivers, Michigan

## Computation of Direct and Overlapping Debt June 30, 2004

### Direct Debt of the City:

<u>Date of Issue</u>	<u>Purpose</u>	<u>Amount Outstanding</u>
06/01/95	Sewer Utility Revenue Bonds	\$ 65,000
05/01/01	Sewer System Improvement Bonds (LTGO)	6,500,000
08/07/03	Capital Improvement Bonds (LTGO)	2,600,000
	Installment Purchase Obligations:	
05/01/00	GE Capital	31,517
08/15/01	Fifth Third Bank	<u>81,178</u>

**Gross Direct Debt:** 9,277,695

Less: Water & Sewer Revenue Bonds \$ 65,000 65,000

**Net Direct Debt:** 9,212,695

### Overlapping Debt (A)

<u>Percent</u>	<u>Jurisdiction</u>	<u>Amount Outstanding</u>	<u>City's Share</u>
34.44%	Three Rivers Community Schools	\$ 29,390,000	\$ 10,233,598
10.32%	Glen Oaks Community College	1,410,000	147,768
			<u>10,381,366</u>

**Net Direct and Overlapping Debt** \$ 19,594,061

(A) Overlapping debt is the portion of the debt of other units of government for which a taxpayer is liable in addition to the debt of the City.

G.O. = General Obligation

U.T.G.O. = Unlimited Tax General Obligation

L.T.G.O. = Limited Tax General Obligation

Source: Municipal Advisory Council of Michigan

## City of Three Rivers, Michigan

### Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures Last Ten Fiscal Years

Fiscal Year Ended June 30	Principal	Interest and Fiscal Charges	Total Debt Service	Total General Governmental Expenditures (1)	Ratio of Debt Service To General Expenditures
1995	\$ 365,000	\$ 162,155	\$ 527,155	\$ 3,590,450	14.68%
1996	350,000	191,430	541,430	3,087,908	17.53%
1997	370,000	115,215	485,215	3,775,473	12.85%
1998	410,000	96,024	506,024	3,627,490	13.95%
1999	420,000	74,468	494,468	4,123,503	11.99%
2000	460,000	50,448	510,448	4,770,631	10.70%
2001	380,000	28,393	408,393	4,161,468	9.81%
2002	365,000	9,536	374,536	4,830,446	7.75%
2003	-	-	-	5,284,999	0.00%
2004	-	69,550	69,550	5,407,028	1.29%

(1) Includes General, Special Revenue, Capital Projects, and Debt Service Funds.

# City of Three Rivers, Michigan

## Schedule of Revenue Bond Coverage Sewer and Water Funds Last Ten Fiscal Years

Fiscal Year Ended June 30	(1) Gross Revenues	(2) Operating Expenses	Net Revenue Available for Debt Service	Principal	Interest	Total	(3) Coverage
1995	\$ 1,638,706	\$ 1,211,147	\$ 427,559	\$ 55,000	\$ 20,513	\$ 75,513	566.21%
1996	1,658,236	1,227,325	430,911	55,000	17,850	72,850	591.50%
1997	1,746,030	1,078,525	667,505	100,000	35,580	135,580	492.33%
1998	1,820,711	995,501	825,210	125,000	33,043	158,043	522.14%
1999	2,120,258	1,171,650	948,608	130,000	26,790	156,790	605.02%
2000	1,962,160	1,446,319	515,841	110,000	29,588	139,588	369.55%
2001	2,457,084	1,333,957	1,123,127	55,000	11,655	66,655	1684.99%
2002	2,295,533	1,742,246	553,287	55,000	11,930	66,930	826.67%
2003	2,656,178	1,758,692	897,486	405,000	345,032	750,032	119.66%
2004	2,666,432	1,869,079	797,353	315,000	322,375	637,375	125.10%

(1) Gross Revenues include interest income.

(2) Operating expenses do not include depreciation or interest expense.

(3) Revenue bond coverage is equal to net revenue available for debt service divided by total debt service requirements.

# City of Three Rivers, Michigan

## General Fund Balance Compared to Actual Expenditures Last Ten Fiscal Years

Fiscal Year Ended June 30	Reserved Fund Balance	Unreserved Fund Balance	Total Fund Balance	Annual Expenditures	Total Fund Balance As a Percent Of Expenditures	Unreserved Fund Balance As a Percent Of Expenditures
1995	\$ 96,761	\$ 491,946	\$ 588,707	\$ 2,738,734	21%	18%
1996	107,243	648,722	755,965	2,578,723	29%	25%
1997	111,748	664,159	775,907	2,967,879	26%	22%
1998	281,371	727,450	1,008,821	2,819,405	36%	26%
1999	266,412	792,649	1,059,061	3,385,907	31%	23%
2000	165,456	787,234	952,690	3,435,886	28%	23%
2001	212,446	1,046,527	1,258,973	3,287,251	38%	32%
2002	143,799	976,826	1,120,625	3,648,269	31%	27%
2003	36,170	609,208	645,378	3,875,908	17%	16%
2004	441,990	312,860	754,850	3,875,010	19%	8%

# City of Three Rivers, Michigan

## Demographic Statistics Last Ten Fiscal Years

Fiscal Year Ended June 30	(A) Total Population	(B) Per Capita Income	(C) Median Age	(D) School Enrollment	(E) Unemployment
1995	7,413	\$ 21,477	30.7	2,901	7.50%
1996	7,413	21,477	30.7	2,966	7.10%
1997	7,413	21,477	30.7	2,962	4.10%
1998	7,413	21,477	30.7	2,930	4.30%
1999	7,413	21,477	30.7	2,995	4.50%
2000	7,413	21,477	30.7	3,005	4.40%
2001	7,328	32,460	31.7	3,128	9.50%
2002	7,328	32,460	31.7	2,994	8.70%
2003	7,328	32,460	31.7	3,110	10.70%
2004	7,328	32,460	31.7	3,088	7.80%

(a) Bureau of the Census 1990 Population Report for 1994-2000

Bureau of the Census 2000 Population Report for 2001-2003

(b) Bureau of the Census 1990 Economic Characteristics Report for 1994-2000

Bureau of the Census 2000 Economic Characteristics Report for 2001-2003

(c) Bureau of the Census 1990 Population Report for 1994-2000

Bureau of the Census 2000 Population Report for 2001-2003

(d) Three Rivers Community Schools

(e) Michigan Employment Security Commission

# City of Three Rivers, Michigan

## Principal Taxpayers

	Taxpayer	Ad Valorem Taxable Valuation	Industrial Facilities Taxable Valuation	Total Taxable Valuation	Percentage of Total Taxable Valuation
#1	AMERICAN AXLE	\$ 20,192,410	\$ 19,001,675	\$ 39,194,085	21.33%
#2	EATON CORP.	3,410,753	6,546,885	9,957,638	5.01%
#3	MEIJER	6,897,512	-	6,897,512	4.28%
#4	METAL TECHNOLOGIES	1,573,314	1,882,821	3,456,135	4.28%
#5	JOHNSON CORP.	4,778,826	-	4,778,826	2.61%
#6	ARMSTRONG INT'L	3,814,845	-	3,814,845	2.36%
#7	WEYERHAUSER	3,258,175	228,653	3,486,828	2.08%
#8	DAY INTERNATIONAL	2,721,689	236,786	2,958,475	1.94%
#9	L & M DEVELOPMENT	1,847,060	-	1,847,060	1.74%
#10	1320 W. BROADWAY, LLC	804,130	-	804,130	1.42%
		<b><u>\$ 49,298,714</u></b>	<b><u>\$27,896,820</u></b>	<b><u>\$77,195,534</u></b>	<b><u>47.05%</u></b>



# **City of Three Rivers**

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**Federal Awards**

**Supplemental Information**

**June 30, 2004**

# City of Three Rivers, Michigan

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## Independent Auditor's Report

Mayor and City Commission  
City of Three Rivers

We have audited the basic financial statements of City of Three Rivers for the year ended June 30, 2004 and have issued our report thereon dated September 3, 2004. Those basic financial statements are the responsibility of the management of City of Three Rivers. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of City of Three Rivers taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

September 3, 2004



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## Report Letter on Compliance with Laws and Regulations and Internal Control - Basic Financial Statements

Mayor and City Commission  
City of Three Rivers

We have audited the financial statements of City of Three Rivers as of and for the year ended June 30, 2004 and have issued our report thereon dated September 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether City of Three Rivers' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered City of Three Rivers' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Mayor and City Commission  
City of Three Rivers

This report is intended solely for the information and use of Commission, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

September 3, 2004



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## Report Letter on Compliance with Laws and Regulations and Internal Control - Major Federal Awards

Mayor and City Commission  
City of Three Rivers

### **Compliance**

We have audited the compliance of City of Three Rivers with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2004. The major federal program of City of Three Rivers is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of City of Three Rivers' management. Our responsibility is to express an opinion on City of Three Rivers' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Three Rivers' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Three Rivers' compliance with those requirements.

In our opinion, City of Three Rivers complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

## Internal Control Over Compliance

The management of City of Three Rivers is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Three Rivers' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of Commission, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

September 3, 2004

# City of Three Rivers

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Federal Agency/Pass-through Agency Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - Passed through Michigan				
Department of Commerce:				
CDBG Rental Rehab Grant	14.228	MSC-2001-5829-HO	\$ 221,737	\$ 81,495
CDBG Home Grant	14.228	M-2001-5829	248,000	18,869
Project MGT	14.228	M-2001-5829	4,000	2,068
Passed through Michigan Strategic Fund:				
CDBG - American Axle	14.228	MSC-203003-EDIG	562,000	212,840
Passed through Michigan Economic Development Corporation:				
CDBG - Airport Industrial Park	14.228	MSC-202055-EDIG	1,105,350	535,350
Total U.S. Department of Housing and Urban Development				850,622
U.S. DEPARTMENT OF JUSTICE - Office of Justice Programs				
Passed through Family Independence Agency:				
Juvenile Justice and Delinquency Prevention	16.548	#34085-3DP01	184,240	136,867
Passed through Michigan Department of Justice:				
Local Law Enforcement Block Grant Program	16.592	2002-LB-BX-0638	15,000	4,771
Local Law Enforcement Block Grant Program	16.592	2001-LB-BX-3280	16,792	938
Total Local Law Enforcement Block Grant Programs				<u>5,709</u>
Total U.S. Department of Justice				142,576
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Brownfield Pilots Cooperative Agreements	66.811	BP-97571401-0	200,000	58,347
U.S. DEPARTMENT OF TRANSPORTATION - Passed through the State of Michigan:				
Pealer Street - Safety Project	20.205	RR-2796	200,000	<u>13,724</u>
Total Federal Expenditures				\$ 1,065,269



# City of Three Rivers

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## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Three Rivers and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

# City of Three Rivers

## Schedule of Findings and Questioned Costs Year Ended June 30, 2004

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of major program(s):

CFDA Number	Name of Federal Program or Cluster
14.228	U.S. Department of HUD

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low risk auditee?   X   Yes \_\_\_\_\_ No

# City of Three Rivers

---

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

### Section II - Financial Statement Audit Findings

Reference Number	Findings
	None

### Section III - Federal Program Audit Findings

Reference Number	Findings
	None

# City of Three Rivers, Michigan

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**Report to the City Commission**

**June 30, 2004**



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January 14, 2005

Honorable Mayor and Members  
of the City Commission  
City of Three Rivers, Michigan

Once again, we would like to commend you on receiving the "Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting." It is truly a wonderful accomplishment for which you, and especially the City's staff, should be very proud.

We have recently completed our examination of the City's financial statements and underlying records for the year ended June 30, 2004. In addition to our report on the financial statements, we would like to present the matters outlined in this report as potential opportunities for improvements to the internal controls and efficiency of your Organization. These recommendations and informational comments are presented as outlined below:

<b>TITLE</b>	<b>PAGE</b>
Recommendations:	
Act 51 Administrative Costs	3
Informational Comments:	
Stated Shared Revenue	4
Transportation Matters	5
Property Tax Matters	5-6
Refuse Disposal	6
Property Assessment Cap	6-7
Health Care Costs	7
Revenue Enhancing and Cost Cutting	8-9

Honorable Mayor and Members  
of the City Commission  
City of Three Rivers, Michigan

January 14, 2005

We would like to thank the City for the opportunity to be of service. We especially would like to thank the City's staff for all their help and efforts throughout the year-end audit. We would be happy to assist the City in the matters discussed above or in any way the City would benefit from our resources.

Very truly yours,

**PLANTE & MORAN, PLLC**

A handwritten signature in black ink that reads "Sharon L. Vargo". The signature is written in a cursive style with a large, flowing 'S' and 'V'.

Sharon Vargo, CPA

A handwritten signature in black ink that reads "Kim Hoppe". The signature is written in a cursive style with a large, flowing 'K' and 'H'.

Kim Hoppe, CPA

**City of Three Rivers, Michigan**  
**Recommendations**  
**June 30, 2004**

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***ACT 51 ADMINISTRATIVE COSTS***

During our audit, we noted the City is currently not charging the Street funds for administrative costs. According to the regulations for Act 51 funding, administrative costs of 10 percent or less of total Act 51 funding received is to be charged to the Major and Local Street Funds. As communities struggle with tough budget times, this would be an option for the City to remove costs from the General Fund and transfer to the Major and Local Street Funds. We recommend the City, during the budgeting process, look into allocating some administrative costs to the Major and Local Street Funds.

## **STATE SHARED REVENUE**

State shared revenue accounts for approximately 24% of the City's total General Fund revenue. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line item in the State's budget, revenue sharing payments for the last several years have been lower than anticipated.

Although sales tax revenue would support an increase to total state shared revenue payments, the State's budget situation remains troublesome at best. As you are probably aware, the Governor's budget for the State's 2004/2005 fiscal year contains a provision to not pay counties statutory revenue sharing (the counties' only source of revenue sharing). Instead, the counties will change their property tax levy date for their operating millage from December to July (beginning in 2005). A portion of the additional funds generated from the early property tax levy will be used by the counties over a multiple year period to replace statutory revenue sharing that will not be paid by the State. The plan calls for the return of statutory revenue sharing for the counties when their restricted monies from the early levy run out. A key part to this plan allows the State to hold revenue sharing payments to cities, villages and townships for the State's 2004/2005 fiscal year at the prior year levels. This plan was recently approved by the Michigan legislature and signed by the Governor.

It is generally acknowledged that the State's budget woes will continue for several more years. The Governor recently announced that another \$500 million shortfall exists for the State's 2005/2006 fiscal year budget (the State's 2005/2006 fiscal year budget will be introduced by the Governor in early 2005). Also, during October 2004, the Governor announced that her administration may introduce a significant tax restructuring proposal shortly. Specific details of the proposal have not been formally announced and the impact on significant revenue sources to local governments, such as personal property taxes and revenue sharing, is not known. As a result of the continuing uncertainty with the State's budget situation and other potential developments with changes to State's tax structure, we continue to urge the City to be very conservative in its estimation of state shared revenue as this line item in the State's budget remains vulnerable. We will continue to update the City as developments occur.



## ***TRANSPORTATION MATTERS***

The Legislature recently approved HB 5319 which would earmark one-half of one cent of the state gasoline tax for the preservation, improvement or reconstruction of existing bridges. It is estimated that over the next 10 years that approximately a half billion dollars will be available to local governments for bridge needs. Presently, these monies are used primarily by the Michigan Department of Transportation for State bridges. The legislation creates a Local Bridge Authority to manage the monies as well as seven regional bridge councils. The new Authority would consist of six voting members appointed by the State Transportation Commission (three nominations by the County Road Association of Michigan and three by the Michigan Municipal League) and two non-voting members nominated by the Department of Transportation.

## ***PROPERTY TAX MATTERS***

During the current legislative session, there have been a number of bills involving property taxes that impact local governments. The following is a highlight of several of the bills:

- HB 4880, as passed by the House in August 2004, proposes to increase property taxes for mobile home owners with additional monies earmarked for local governments.

HB 6017 was introduced to address the inconsistent treatment of assessing commercial property using the occupancy method. The inconsistent treatment occurs when the taxable value of a commercial property is reduced based on a loss in occupancy and a corresponding increase will not occur when occupancy increases resulting in a permanent taxable cap on property (subject to annual inflationary increases). This treatment is a result of what is commonly referred to as the "WPW Case" involving the City of Troy.

- HB 4649 was passed by the House and would allow for local governments to pass a resolution exempting new construction on homestead property used as a living area from property taxes (subject to certain limitations) in all or just certain areas of the local jurisdiction.
- HB 5358 was introduced and would change the requirements for personal property tax examiners including: requiring the State Tax Commission to qualify examiners based on experience and examination; require examiners to be employees of a local government; and make payments to examiners on a per parcel basis.
- HB 5538, as passed by the House, exempts property under development from school operating taxes (18 mills) by classifying the property as "homestead" property. The bill also proposes to not allow the taxable value of property to "uncap" when the property is sold to a new owner.

## ***PROPERTY TAX MATTERS (Continued)***

- HB 4234, as passed by the House, would provide a personal property tax exemption to businesses with taxable value of personal property of \$7,500 or less (these businesses would be exempt from paying any personal property taxes). Language was included in the House that any revenue loss to local governments would be reimbursed by the State. However, these monies would require an appropriation by the Legislature.

## ***REFUSE DISPOSAL***

SB 721 was introduced which would assess a \$3 per ton tipping fee at landfills which could increase the cost of refuse disposal for local governments. The monies generated from this legislation are intended to be used by the State for recycling.

## ***PROPERTY ASSESSMENT CAP***

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is:

2004	2.3%
2003	1.5%
2002	3.2%
2001	3.2%
2000	1.9%
1999	1.6%
1998	2.7%
1997	2.8%
1996	2.8%
1995	2.6%
1994	3.0%

The 2003 inflation factor was used for property taxes levied in the City's fiscal year ended June 30, 2004. Property taxes are the City's largest source of General Fund revenue. However, as indicated above, growth in existing property can be significantly limited due to Proposal A. This factor should be considered when the City is performing long-term financial planning.

## ***PROPERTY ASSESSMENT CAP (Continued)***

Also, as you probably recall, the Headlee Amendment to the Michigan Constitution limits the amount of taxes that can be levied by the City. In general terms, if growth on the City's existing property tax base exceeds inflation for a particular year, the Headlee Amendment requires the City to "roll back" its property tax rate to inflation. Prior to the passage of Proposal A in 1994, during years when the growth on the City's existing property tax base was less than inflation, the Headlee Amendment allowed the City to "roll up" its property tax rate and recover from years when the property tax rate was "rolled back". However, subsequent to the passage of Proposal A and as a result of changes made to the State's General Property Tax Act, the City is no longer allowed to "roll up" its property tax rate in years when growth on its existing tax base is less than inflation.

For the year ended June 30, 2004, the City's Headlee maximum property tax rate for its operating levy was 11.4253 mills even though City Charter would allow the City to levy 12.0 mills for operations. Because of changes made to the General Property Tax Act in 1994, this reduction in millage rate is permanent absent a Headlee override vote. Additionally, as demonstrated by a recent study published by the Michigan Municipal League (with the participation of the Michigan Townships Association and the Michigan Association of Counties), due to definitional changes made to the General Property Tax Act in 1994, the treatment of uncapped values or the "pop up" amount when a property is transferred or sold (as growth on existing property subject to the Headlee rollback calculation), the downward pressure on millage rates will continue particularly given the significant gap that now exists between taxable value and state equalized value.

## **HEALTH CARE COSTS**

It is our understanding that the State of Michigan may be offering local governments the opportunity to participate in the State's prescription drug program. A presentation was made in September 2004 to introduce this program to local governments. While we have not evaluated the program, the City may want to consider this option as it evaluates and continues to try to control its health care costs.

## ***REVENUE ENHANCING AND COST CUTTING***

In light of costs continuing to increase and the uncertainty of the State economy, we would like to review a list of potential revenue generating and expense saving opportunities. Our purpose in providing this list is to give you various ideas rather than advocate one technique over the other.

### **New Revenue Sources**

- Have property tax revenues been increased by levying separately over and above the charter limits for Economic Development and Promotion (not to exceed \$50,000)?
- Are there charges for all parks and recreation program activities?
- Has consideration been given to establishing an inspection fee (depending on legality) for residential housing sales of rental property?

Have all municipal services been reviewed and consideration given to charge fees (particularly if only a few citizens are benefiting)?

- Is there an additional charge for recycling and/or compost pick-ups?
- Has space on governmental properties (such as benches, areas and vehicles) been sold for advertising?
- Have all unusable fixed assets, including vacant land, been sold (governmental garage sale)?
- Have major governmental assets been considered for sale/leaseback arrangements?
- Have building permit, inspection and other user fees been revised (increased)? Do fees equal or exceed related costs?
- Has property been aggressively assessed?
- Have improved investment earnings been achieved with better cash management and projecting, zero balance checking, interest bearing checking accounts, pooling of funds and utilizing all legal forms of investments?

### **Eliminating Costs**

- Have early retirement incentives been offered to produce salary and fringe benefit savings by keeping the position vacant or filling it at a lower salary level?
- Can bank "lock box" services be utilized for the collection of property taxes and water and sewer bills?

## ***REVENUE ENHANCING AND COST CUTTING (Continued)***

### Other

- Has an energy audit that may result in permanent energy cost savings been performed?
- Have part-time and temporary personnel been utilized?
- Have high school co-op students been utilized?
- Have outside contractors been considered for services such as garbage pick-up, meter reading, engineering, planning, custodial, security, street sweeping, snowplowing, etc?
- Have health care costs and other fringe benefits been reviewed and alternatives evaluated?
- Has pooling of costs in cooperation with other communities been considered such as for infrequently used equipment, for data processing equipment with excess capacity and combining service (e.g., ambulance, animal control and inspection)?
- Has an operational audit/review (possibly only selected departments) been considered?
- Has a formal preventive maintenance program for facilities, equipment and vehicles been developed?
- Has presorted mail been considered?
- Has an exemption certificate been requested to eliminate the federal excise tax on telephone service?
- Have rental charges to other funds for space and equipment usage been considered?